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NOVA

J. E. (Ted) Newall
Vice Chairman and
Chief Executive Officer

NOVA Corporation
P.O. Box 2535, Station M
Calgary, Alberta
Canada T2P 2N6
Offices: 801 Seventh Avenue S.W.
(403) 290-6000
FAX (403) 290-6379
Telex 038-21503

March 7, 1996

Dear Shareholder:

The Board of Directors is pleased to invite you to attend the annual and special meeting of the shareholders of NOVA Corporation to be held at The Calgary Convention Centre, Calgary, Alberta on April 18, 1996, commencing at 10:30 a.m. (Mountain time). The items of business that you will be asked to act on are set forth in the enclosed notice of annual and special meeting and management information circular.

We encourage you to ensure your shares are represented whether or not you are able to attend. Your vote is important. If you do not plan to be present, I would appreciate your taking the time now to sign, date and return the enclosed proxy form in the enclosed postage prepaid envelope, so that your shares can be voted at the meeting in accordance with your instructions.

Proxies will be counted and tabulated by The R-M Trust Company, the transfer agent of NOVA, in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) where the shareholder has made a written comment on the proxy form which is clearly intended for management, (b) as necessary to meet legal requirements, or (c) in the event of a proxy contest.

We thank you for your participation as a shareholder in NOVA Corporation.

Sincerely,

J E Newall

J. E. (Ted) Newall, O.C.
Vice Chairman and
Chief Executive Officer

NOVA

NOVA Corporation

NOTICE OF ANNUAL AND SPECIAL MEETING

NOTICE is hereby given that the annual and special meeting (the "Meeting") of the holders of common shares (the "Common Shares") of NOVA Corporation ("NOVA") will be held at The Calgary Convention Centre, 120 Ninth Avenue S.E., Calgary, Alberta on Thursday, April 18, 1996 at 10:30 a.m. (Mountain time) for the following purposes, each of which is described in more detail in the accompanying Management Information Circular (the "Information Circular") which is incorporated by reference herein, namely:

1. to receive the consolidated financial statements of NOVA for the year ended December 31, 1995 and the reports of the management of NOVA and of the auditors;
2. to elect directors;
3. to appoint Ernst & Young as the auditors of NOVA and to authorize the directors to fix their remuneration;
4. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution approving a director share compensation plan which involves the issuance of Common Shares (see page 17 for full details);
5. to consider such other matters as may properly come before the Meeting or any adjournment thereof.

The record date for the determination of holders of Common Shares entitled to receive notice of, and to attend and vote at, the Meeting will be the close of business on March 1, 1996. Any transferee or person acquiring Common Shares after such date may, on proof of ownership of Common Shares, demand not later than 10 days before the Meeting that his or her name be included on the list of persons entitled to attend and vote at the Meeting.

By Order of the Board of Directors

(Signed) RHONDDA E. S. GRANT
Corporate Secretary

Calgary, Alberta
March 7, 1996

TO: Holders of Common Shares

If you are unable to attend the Meeting in person, please complete and sign the enclosed form of proxy and forward it in the enclosed postage prepaid self-addressed envelope to The R-M Trust Company, 600 The Dome Tower, 333 Seventh Avenue S.W., Calgary, Alberta T2P 2Z1, to reach the addressee no later than 5:00 p.m. (Mountain time) on Wednesday, April 17, 1996.

NOVA

NOVA Corporation

MANAGEMENT INFORMATION CIRCULAR

GENERAL

This Management Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors and the management of NOVA Corporation ("NOVA") for use at the annual and special meeting (the "Meeting") of the holders of NOVA common shares (the "Common Shares") to be held on April 18, 1996 at 10:30 a.m., Mountain time, at The Calgary Convention Centre, 120 Ninth Avenue S.E., Calgary, Alberta and at any adjournment thereof. Enclosed is a form of proxy for use at the Meeting. A copy of the Annual Report, which includes the consolidated financial statements of NOVA for the fiscal year ended December 31, 1995 to be presented to the Meeting is also enclosed. **A copy of this Information Circular, NOVA's Annual Information Form dated February 16, 1996 for the fiscal year ended December 31, 1995, as filed with Canadian provincial securities commissions and, under cover of an Annual Report on Form 40-F, with the United States Securities and Exchange Commission, and any interim financial statements of NOVA subsequent to the financial statements for the year ended December 31, 1995 may be obtained by any person without charge by writing to NOVA to the attention of its Corporate Secretary, P.O. Box 2535, Postal Station M, Calgary, Alberta T2P 2N6.**

Pursuant to the General By-law of NOVA, proxies must be received by The R-M Trust Company no later than 5:00 p.m., Mountain time, on Wednesday, April 17, 1996. Proxies may be delivered using the enclosed postage prepaid self-addressed envelope, or by otherwise delivering them c/o The R-M Trust Company, 600 The Dome Tower, 333 Seventh Avenue S.W., Calgary, Alberta T2P 2Z1.

It is anticipated that this Information Circular and the accompanying form of proxy will be first mailed to shareholders on or about March 7, 1996. Unless otherwise stated, information contained in this Information Circular is given as at February 16, 1996. The principal executive and registered office of NOVA is located at 801 Seventh Avenue S.W., Calgary, Alberta T2P 2N6, and its telephone number is (403) 290-6000.

REVOCABILITY OF PROXY

A proxy may be revoked by the person giving it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked in writing by the holder of Common Shares or the holder's attorney authorized in writing and deposited either at the registered office of NOVA at 801 Seventh Avenue S.W., Calgary, Alberta, Canada, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

PERSON MAKING THE SOLICITATION

This solicitation of proxies is made by and on behalf of the Board of Directors and the management of NOVA and the costs thereof will be borne by NOVA. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited by personal interviews, telephone or other telecommunication device, by directors, officers and employees of NOVA, who will not be specifically remunerated therefor. In addition, NOVA has retained The Proxy Solicitation Company Ltd., 55 University Avenue, Suite 1705, Toronto, Ontario M5J 2H7, at a fee of approximately $12,000 plus out-of-pocket expenses, and Georgeson & Company Inc., Wall Street Plaza, New York, New York 10005, at a fee of approximately U.S. $9,000 plus out-of-pocket expenses, to aid in the solicitation of proxies from individual and institutional investors in Canada and the United States, respectively.

In soliciting proxies, no person is authorized to give any information or to make any representations other than those contained in this Information Circular and, if given or made, such information or representations must not be relied upon as having been authorized to be given or made.

EXERCISE OF DISCRETION

The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the holder thereof. **In the absence of such specification, such Common Shares will be voted in favour of the election of each of the directors named for the term specified on the form of proxy, in favour of the appointment of Ernst & Young as auditors and the authorization of the directors to fix their remuneration and in favour of the director share compensation plan.** The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this Information Circular, the Board of Directors and the management of NOVA know of no such amendment, variation or other matter.

COMMON SHARES AND PRINCIPAL HOLDERS THEREOF

As of February 16, 1996, NOVA had outstanding 480,641,100 Common Shares (506,124,617 Common Shares on a fully diluted basis). The closing price for NOVA Common Shares on The Toronto Stock Exchange on February 16, 1996 was $12¼. Each Common Share confers upon the holder thereof the right to one vote on a ballot, if called, on each matter that may properly be brought before the Meeting.

The close of business on March 1, 1996 is the record date for the determination of holders of Common Shares entitled to notice of, and to attend and vote at, the Meeting. Any transferee or person acquiring Common Shares after such date may, on proof of ownership of Common Shares, demand not later than 10 days before the Meeting that his or her name be included in the list of persons entitled to attend and vote at the Meeting.

The representation in person or by proxy of at least 10% of the outstanding Common Shares is necessary to provide a quorum at the Meeting. Directors are elected by a plurality of the affirmative votes cast. A majority of the Common Shares which are voted in person or by proxy at the Meeting is required for approval of the appointment of Ernst & Young and approval of the director share compensation plan.

As at February 16, 1996, no person or company, to the knowledge of the directors or senior officers of NOVA, beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of NOVA.

ELECTION OF DIRECTORS

The NOVA articles currently provide for the Board of Directors to consist of a minimum of 12 directors and a maximum of 20 directors. The number of directors presently in office is 15. The information given herein with respect to each director is based upon information furnished to NOVA by each director.

Directors and Nominees for Election as Directors of NOVA

In accordance with the Restated Articles of Incorporation and the General By-law of NOVA, the Board of Directors has determined that 15 directors are to be elected at the Meeting by the Shareholders. The term of office proposed for each nominee for election as director is a term of one year expiring at NOVA's 1997 annual meeting or until a successor is earlier elected or appointed.

The nominees for election as directors of NOVA are F. P. Boer, R. B. Coleman, J. G. Day, R. F. Haskayne, J. J. Healy, H. N. Hotchkiss, J. M. Lipton, J. M. MacLeod, H. P. Milavsky, J. E. Newall, N. Pappas, R. L. Pierce, J. G. Rennie, C. E. Ritchie and A. Wexler. Each person nominated for election at the Meeting is currently a director of NOVA except J. M. Lipton, the President of NOVA.

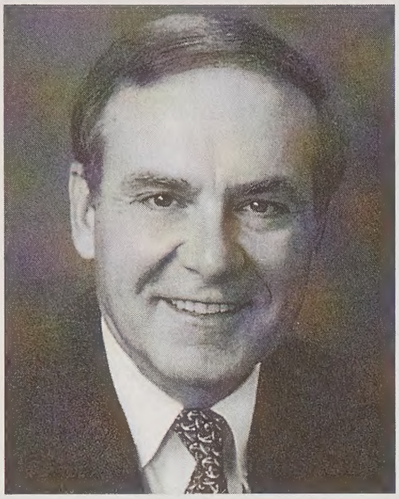
Set forth hereafter in alphabetical order is the principal occupation (including all positions currently held with NOVA) of each person who is a director of NOVA on the date hereof, or a nominee for election as a director at the Meeting, the period, if any, during which each has served as a director of NOVA and certain other directorships held by each such director or nominee. Each such director or nominee has held his or her present principal occupation or executive position with the same or associated firms for the past five years except as set forth below. Where used below in descriptions of past association, "NOVA" means NOVA Corporation since April 28, 1994 and NOVA Corporation of Alberta prior thereto. Proxies in favour of the persons named in the accompanying

form of proxy will be voted in favour of the election for a one year term of each of the 15 persons named in the proxy as nominees for election as directors. The Board of Directors and management do not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

In December 1994 The Toronto Stock Exchange Committee on Corporate Governance in Canada issued a series of guidelines for effective corporate governance (the "TSE Report"). The guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. The guidelines have been adopted by both The Toronto Stock Exchange and the Montreal Exchange.

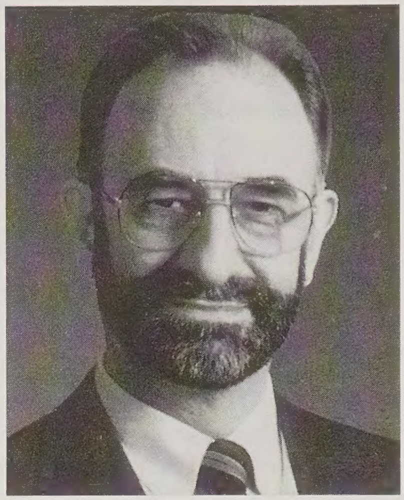
The TSE Report paid a great deal of attention to the make-up and independence of corporate boards. An "unrelated" director, under the TSE Report, is a director who is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the corporation, other than interests arising from shareholding. In defining an unrelated director, the TSE Report placed emphasis on the ability of a director to exercise objective judgment, independent of management. The TSE Report also made an informal distinction between inside and outside directors. The TSE Report considers an inside director a director who is an officer or employee of the corporation or any of its affiliates.

On a rigorous application of these definitions, 13 of NOVA's 15 existing directors are both unrelated and outside directors and 12 of NOVA's 15 proposed directors are unrelated and outside directors. Mr. Newall (NOVA's Vice Chairman and Chief Executive Officer) and Mr. Pierce (a former NOVA officer and current consultant to NOVA and a director and officer of certain NOVA subsidiaries) are the only two existing Board members who are related directors, and who would also be considered inside directors. Mr. Lipton (NOVA's President), a nominee for election as a director, will, if elected, be a related and inside director.



Dr. F. Peter Boer has been a director of NOVA since February 21, 1991. He resides in Boynton Beach, Florida. He is President and Chief Executive Officer of Tiger Scientific, Inc., a firm specializing in science and technology, consulting and investments. He recently retired as Executive Vice President and Chief Technical Officer of W.R. Grace & Co., where he held responsibilities for research, engineering, business development and environment, health and safety. He is Co-Chairman of the National Medal of Technology Evaluation Committee for the United States Department of Commerce and serves on The Clean Air Act Advisory Committee of the Environmental Protection Agency. He is affiliated with advisory committees of Princeton University, the University of Chicago, Texas A&M University, the Georgia Institute of Technology and the Los Alamos National Laboratory and is a past president of the Industrial Research Institute. Dr. Boer holds an AB in Physics from Princeton University and a PhD in Chemical Physics from Harvard University and is the author of over 100 publications.

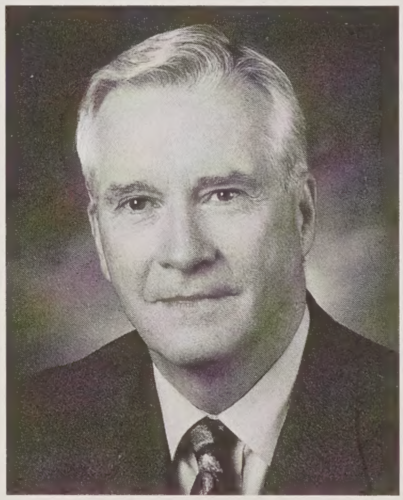
Ronald B. Coleman has been a director of NOVA since June 18, 1987. He resides in the City of Calgary and is President of R.B. Coleman Consulting Co. Ltd. and of Dominion Equity Resource Fund Inc., companies engaged in oil and gas activities. He also is a director of Dominion Equity Resource Fund Inc. and serves on the Boards of Landmark Corporation, The Maritime Life Assurance Company, Canadian Conquest Exploration Inc., LMK Energy Inc. and High Bullen Resources Ltd.



Sir J. Graham Day has been a director of NOVA since October 26, 1990. He resides in Hantsport, Nova Scotia and is retired. Prior to his retirement in 1993 he was Chairman of the Board of Cadbury Schweppes plc, a manufacturer of beverages and confectionery, and of Powergen plc, an electrical power generating company. Prior to April 1992 he was Chairman of the Board of British Aerospace plc, a company involved in defense industries and the manufacture of civil aircraft and automobiles. Prior to October 1991 he was Chairman of the Board of Rover Group Holdings plc, a company engaged in the manufacture and sale of automobiles. He is Chancellor of Dalhousie University, Chairman of the Board of Crombie Insurance Company (U.K.) Ltd. and also serves on the Boards of Altnacraig Shipping plc, Extendicare Inc., Jebsens (Luxembourg) SA, The Bank of Nova Scotia, The Laird Group plc, Thorn-Emi plc, Thorn-Emi Senior Executive Pension Scheme Trust Ltd., Empire Company Limited, The Shaw Group Ltd., Nova Scotia Power Inc. and The CSL Group Inc.

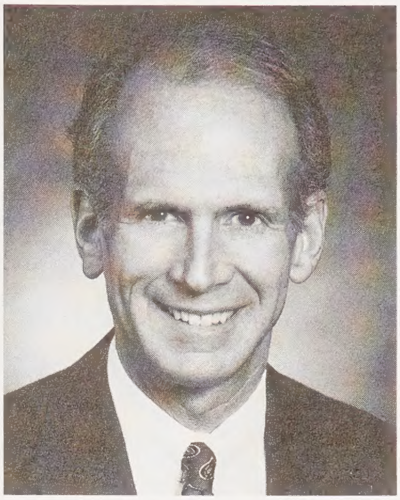
Richard F. Haskayne, F.C.A. has been a director of NOVA since May 2, 1991 and Chairman of the Board since April 21, 1992. Prior to April 1992 he was Special Advisor to the Board of Directors of NOVA. He resides in the City of Calgary. Prior to April 1991 he was Chairman, President and Chief Executive Officer of Interhome Energy Ltd. He is also a director of the Canadian Imperial Bank of Commerce, Fording Coal Limited, TransAlta Corporation, Alberta Energy Company Ltd., Crestar Energy Inc., MacMillan Bloedel Limited and certain subsidiaries and affiliates of NOVA and is Chairman of the Board of Governors of the University of Calgary.

J. Joseph Healy has been a director of NOVA since April 19, 1977. He resides in the City of Edmonton and is an independent businessman involved in real estate development and sales and has spent considerable time in the automotive retailing and leasing industry. Mr. Healy was the President of Healy Motors Limited until February 1996. He is a director of Burnside Holdings Ltd. and Degman Holdings.



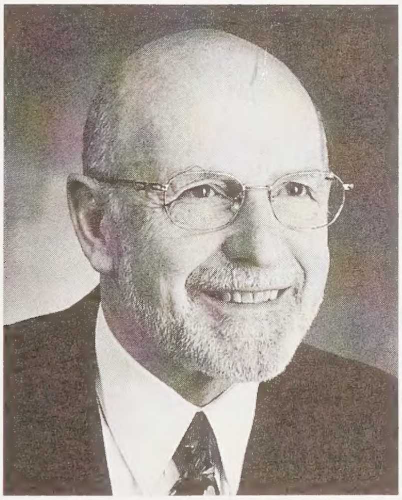
Harley N. Hotchkiss has been a director of NOVA since May 11, 1979. He resides in the City of Calgary and invests directly and through private companies in oil and gas, real estate, agriculture and professional sports. He is Vice-Chairman, Foothills Hospital Foundation, Chairman, Board of Directors, Calgary Flames Inc., National Hockey League Governor for the Calgary Flames Hockey Club and Chairman of the Board of Governors of the National Hockey League. He also serves on the Boards of Conwest Exploration Company Limited, Paragon Petroleum Corporation and Telus Corporation.

W. Norman Kissick, retired, has been a director of NOVA since February 28, 1992 and resides in Agincourt, Ontario. Prior to May 1991, he was Chairman and Chief Executive Officer of Union Carbide Canada Ltd., a company involved in diversified manufacturing. Mr. Kissick serves on the Boards of Avenor Inc. and the Toronto-Dominion Bank. Mr. Kissick will not be standing for re-election to NOVA's Board in 1996.



Jeffrey M. Lipton is proposed as a director of NOVA. He is President of NOVA and resides in the City of Calgary. Prior to December 1994, he was President and Chief Operating Officer and prior to September 1994, he was Senior Vice President and Chief Financial Officer of NOVA. Prior to February 1994, he was Senior Vice President of Novacor Chemicals Inc. Prior to December 1993, he was Vice President, Corporate Plans of E.I. du Pont de Nemours & Co. and prior to January 1993, Vice President, Corporate Marketing and Continuous Improvement of that company. He is a director of certain subsidiaries and affiliates of NOVA, including Methanex Corporation and NGC Corporation.

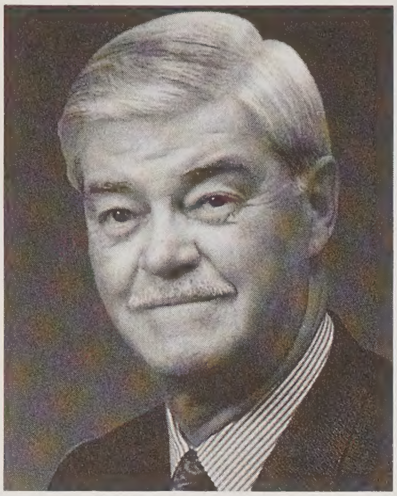
J. M. (Jack) MacLeod has been a director of NOVA since February 26, 1993. He resides in the City of Calgary. Prior to February 1993, he was President and Chief Executive Officer of Shell Canada Limited, an integrated petroleum and petrochemicals company. He is a director of Trimac Limited, BOVAR Inc., Wascana Energy Inc., Sun Life Assurance Company of Canada and The Van Horne Institute and a member of the Advisory Board of Alberta Northeast Gas Limited, Alberta Science and Research Authority Board and fellow of the International Institute for Sustainable Development. In the voluntary sector, he is director and chairman of Learning for a Sustainable Future, and director and chairman of the Foothills Hospital Foundation Board.



Harold P. Milavsky, F.C.A. has been a director of NOVA since April 26, 1988. He resides in the City of Calgary and is Chairman, Quantico Capital Corp., a company engaged in principal investments and acquisitions, merchant banking and investment advisory services. Prior to July, 1994, he was Chairman of the Executive Committee and a director of Trizec Corporation Ltd. and prior to April, 1993, he was Chairman of the Board of Trizec Corporation Ltd. He also serves on the Canadian Boards of Amoco Canada Petroleum Company Ltd., Brascan Limited, London Insurance Group and the London Life Insurance Company, Wascana Energy Inc., Telus Corporation and Encal Energy Ltd.

J. E. (Ted) Newall, O.C. has been a director of NOVA since August 13, 1991. He is Vice Chairman and Chief Executive Officer of NOVA and, prior to September 1, 1994, was President and Chief Executive Officer of NOVA. He resides in the City of Calgary. Prior to September 1991, he was Chairman and Chief Executive Officer of DuPont Canada Inc. and Senior Vice President, Agricultural Products, of E.I. du Pont de Nemours & Co. He is also a director of BCE Inc., The Molson Companies Limited, Alcan Aluminium Limitée, the Royal Bank of Canada and certain subsidiaries and affiliates of NOVA and Chairman of Methanex Corporation.

Dr. Nicholas Pappas has been a director of NOVA since February 28, 1992 and resides in Centerville, Delaware. Dr. Pappas is President and Chief Operating Officer of Rollins Environmental Services, Inc., a company involved in hazardous waste treatment and management. Prior to June 1991, he was retired and, prior to January 1991, he was Executive Vice President of E.I. du Pont de Nemours & Co. Dr. Pappas also is a member of the Boards of Medical Center of Delaware, Chemfab Corp. and Yenkin-Majestic Corp., a member of the Board of Trustees of the Delaware Art Museum, and a member of American Men of Science, Sigma Xi and Alpha Chi Sigma.



Robert L. Pierce, Q.C. has been a director of NOVA since May 13, 1977. He was a Senior Vice President of NOVA from December 31, 1991 to May 16, 1994 and prior to December 1991 was an Executive Officer of NOVA and some of its affiliated companies. He resides in the City of Calgary. He also serves on the Boards of The Bank of Nova Scotia, Interstate Natural Gas Association of America, Greystone Capital Management Inc., Novagas Clearinghouse Ltd., NGC Corporation, Transportadora de Gas del Norte S.A. and certain subsidiaries and affiliates of NOVA including Gasoducto GasAndes S.A. of Chile and Gasoducto GasAndes (Argentina) S.A. of which he is chairman.

Janice G. Rennie, C.A. has been a director of NOVA since April 23, 1991 and resides in the City of Edmonton where she is a business consultant and advisor. Prior to September, 1994 she was Senior Vice President of Princeton Developments Ltd., a commercial real estate developer. Prior to December 1993 she was President, Prairie and Northwest Territories Region, prior to January 1992 she was Vice President and prior to June 1990 she was Vice President and Treasurer of that company. She was also President of Bellanca Developments Ltd. and is a director of that company. She is also a director of Edmonton Power and Weldwood of Canada Limited and in January 1993 was appointed to the Audit Committee of the Province of Alberta.

Cedric E. Ritchie, O.C. has been a director of NOVA since February 28, 1992. He is retired Chairman of the Board of The Bank of Nova Scotia, a Canadian chartered bank, and a director of the bank. He was Chairman of the Board from January 1993 until January 1995 and prior to January 1993 he was Chairman of the Board and Chief Executive Officer of that bank. He resides in Don Mills, Ontario. Mr. Ritchie serves on the Boards of The Canada Life Assurance Company, Ingersoll-Rand Company, Maduro & Curiel's Bank N.V., Mercedes-Benz Canada Inc., Minorco, Moore Corporation Limited, Pacific Basin Economic Council, Canadian Committee, Solidbank Corporation, MacMillan Bloedel Limited, J. Ray McDermott, S.A., Canadian National Railways and Glendis Inc. He is also Chairman of the Canada-Philippines Council and the Canadian Business Committee on Jamaica.

Anne Wexler has been a director of NOVA since December 9, 1994. She is Chairman and Chief Executive Officer of The Wexler Group and resides in Washington, D.C. She also serves on the Boards of Alumax, Inc. The Continental Corporation, Comcast Corporation, The Dreyfus Corporation Index Funds, The Dreyfus Corporation Mutual Funds and New England Electric System. She served as senior advisor on the Clinton-Gore Transition Team, was Assistant to President Carter for Public Liaison and prior to that appointment was Deputy Under Secretary of Commerce.

BENEFICIAL OWNERSHIP OF SECURITIES

The table below sets forth, as at February 16, 1996, information as to shares of NOVA beneficially owned, directly or indirectly or controlled or directed, including options to acquire such shares exercisable within 60 days of February 16, 1996, by each director and nominee for election as a director of NOVA and by all directors and officers of NOVA, as a group, as provided to NOVA by such persons.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1) (2) (3)	Title of Class
Dr. Frank Peter Boer	12,464	Common Shares
Ronald Borden Coleman	17,232 (4) (10)	Common Shares
Sir (Judson) Graham Day	18,508 (5)	Common Shares
Richard Francis Haskayne, F.C.A.	177,293	Common Shares
John Joseph Healy	18,902 (4)	Common Shares
Harley Norman Hotchkiss	25,865 (4)	Common Shares
William Norman Kissick	12,721	Common Shares
Jeffrey Marc Lipton	440,009 (6)	Common Shares
John Morrison MacLeod	11,334 (4)	Common Shares
Harold Phillip Milavsky, F.C.A.	9,002 (4) (6)	Common Shares
James Malcolm Edward Newall, O.C.	1,989,165 (7)	Common Shares
Dr. Nicholas Pappas	13,928	Common Shares
Robert Lorne Pierce, Q.C.	412,818 (6) (8)	Common Shares
Janice Gaye Rennie, C.A.	13,878 (4)	Common Shares
Cedric Elmer Ritchie, O.C.	14,471 (6) (9)	Common Shares
Anne Wexler	8,696	Common Shares
All directors and officers as a group (30 persons, including those listed herein)	5,064,385	Common Shares

Notes:

(1) Other than as described in notes (5), (9) and (10) below, these shares are subject to the sole voting and investment power of their beneficial owners.

(2) Each director's holdings represents less than one percent of the outstanding Common Shares and all directors and officers, as a group, hold approximately 1.05% of the outstanding Common Shares.

(3) Includes for Messrs. Haskayne, Lipton, Newall and 14 other officers 150,000, 406,250, 1,636,750 and 1,625,375 Common Shares, respectively, and for all other directors, except Mrs. Wexler who holds 6,000 Common Shares and Mr. Pierce who holds 172,000 Common Shares, 9,000 Common Shares each which may be acquired pursuant to options which are or become exercisable within 60 days of February 16, 1996, which options were issued to such persons pursuant to the Employee Incentive Stock Option Plan of NOVA (the "Option Plan").

(4) The trust funds associated with NOVA's pension plans are administered by the Audit and Finance Committee, composed of Mrs. Rennie and Messrs. Coleman, Healy, Hotchkiss, MacLeod and Milavsky. The foregoing information regarding the beneficial ownership of Common Shares by each director does not include an aggregate of 353,000 Common Shares held by the trustee for such pension plans and over which the Audit and Financial Committee has assumed no investment or voting control.

(5) 3,913 of the Common Shares for Sir Graham Day are held by Sedna Holdings Limited, a family holding company.

(6) Excludes for Messrs. Lipton, Milavsky, Pierce and Ritchie, each of whom may be deemed to have, but disclaims, beneficial ownership of: 600, 27,920; 200; and 496,000 Common Shares, respectively. The 600 Common Shares for Mr. Lipton are held by his fiancé. The 27,920 Common Shares for Mr. Milavsky are held as to 150 by his two daughters, who do not reside in the same residence as Mr. Milavsky and as to 27,770 by Quantico Capital Corp. of which he is Chairman. The 200 Common Shares for Mr. Pierce are held as to 100 each by his two daughters who do not reside in the same residence as Mr. Pierce. The 496,000 Common Shares for Mr. Ritchie are held as to 1,000 by his spouse and as to 495,000 by The Bank of Nova Scotia of which he is retired chairman of the board. The foregoing respective associates and family of Messrs. Lipton, Milavsky, Pierce and Ritchie exercise sole voting and investment power over such Common Shares.

(7) 327,899 of Mr. Newall's Common Shares are owned by Waskesiu East Holdings Inc. Mr. Newall has majority control of Waskesiu East Holdings Inc.

(8) 5,281 of Mr. Pierce's Common Shares are owned by Danebro Investment Ltd., the shares of which company are held by Mr. Pierce.

(9) 1,200 of the 14,471 Common Shares shown for Mr. Ritchie are held by an estate of which he is executor; as executor he has sole voting and dispositive power over these Common Shares.

(10) 2,000 of the Common Shares for Mr. Coleman are held by R.B. Coleman Consulting Co. Ltd.

BOARD OF DIRECTORS

The Board of Directors is responsible for managing the business and affairs of NOVA. It establishes the overall policies and standards for NOVA. The directors are kept informed of NOVA's operations at meetings of the Board and its Committees and through reports and analyses and discussion with management.

The Board of Directors meets on a regularly scheduled basis. In addition, communications between the directors and management occur apart from regularly scheduled Board and Committee meetings.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established four standing Committees and has delegated certain responsibilities to each of those Committees and has also mandated each of them to perform certain advisory functions and make recommendations and report to the Board.

The Board of Directors of NOVA does not have an Executive Committee. The Board of Directors of NOVA has a Corporate Governance Committee, an Audit and Finance Committee, a Human Resources Committee and a Public Policy, Risk and Environment Committee.

The Corporate Governance Committee of the Board of Directors of NOVA is responsible for the composition, compensation and governance of the Board of Directors of NOVA and recommends to the Board nominees for election or appointment to the Board, as the case may be. In addition, this Committee is responsible for maintaining an effective working relationship between the Board of Directors and management of NOVA. The Corporate Governance Committee is composed of Mrs. Wexler and Messrs. Haskayne (Chairman), Hotchkiss and Ritchie and Sir Graham Day.

The Audit and Finance Committee of the Board of Directors of NOVA meets with the independent auditors, internal auditors and senior executives of NOVA to review and inquire into matters affecting the financial reporting of NOVA, the system of internal accounting and financial controls and procedures, and NOVA's audit procedures and plans. The Committee also approves the issuance of debt securities and foreign currency risk management strategies, recommends to the Board of Directors of NOVA the appointment and remuneration of the external auditors, is responsible for the proper and orderly funding and administration of the trust funds associated with NOVA's savings and profit sharing plans and pension plans and reviews with management and reports to the Board, on an annual basis, on the financing plans and objectives of NOVA. The Audit and Finance Committee is composed of Mrs. Rennie and Messrs. Coleman, Healy, Hotchkiss (Chairman), MacLeod and Milavsky.

The Human Resources Committee of the Board of Directors of NOVA reviews recommendations for the appointment of persons to senior executive positions, considers terms of employment including succession planning and matters of compensation, recommends awards under the Option Plan and is responsible for the proper and orderly administration of NOVA's savings and profit sharing plans and pension plans, other than matters relating to the funding and investment of the plans' trust funds. The Human Resources Committee is composed of Messrs. Haskayne (Chairman), Kissick and Ritchie, Drs. Boer and Pappas and Sir Graham Day.

The Public Policy, Risk and Environment Committee of the Board of Directors of NOVA is responsible for overseeing the policies and practices of NOVA relating to the environment, occupational health and safety, communications, corporate contributions, government relations and NOVA's role with all of its stakeholders. The Public Policy, Risk and Environment Committee is composed of Mrs. Rennie, Mrs. Wexler and Messrs. Coleman, Healy, Kissick, MacLeod, Milavsky (Chairman) and Pierce, and Drs. Boer and Pappas.

EXECUTIVE OFFICERS

The table below shows the name, positions held with NOVA and principal occupations within the last five years of each person who is an executive officer of NOVA. Officers are appointed by the Board of Directors of NOVA from time to time and serve at the discretion of the Board of Directors.

Name	Position with NOVA	Principal Occupations and Positions During Last Five Years
James Malcolm Edward Newall, O.C.	Vice Chairman and Chief Executive Officer	Prior to September 1, 1994, President and Chief Executive Officer of NOVA since March 4, 1994 and, prior thereto, President and Chief Executive Officer of NOVA Corporation of Alberta since September 1991; prior to September 1991, Chairman and Chief Executive Officer of DuPont Canada Inc. and Senior Vice President, Agricultural Products, of E.I. du Pont de Nemours & Co.
Jeffrey Marc Lipton	President	Prior to December, 1994, President and Chief Operating Officer; prior to September 1, 1994, Senior Vice President and Chief Financial Officer of NOVA since February 1994; prior to February 1994, Senior Vice President of Novacor Chemicals Inc.; prior to December 1993, Vice President, Corporate Plans of E.I. du Pont de Nemours & Co.; prior to January 1993, Vice President, Corporate Marketing and Continuous Improvement of E.I. du Pont de Nemours & Co.
Daniel Wilfrid Boivin	Senior Vice President, NOVA and President and Chief Operating Officer, Novacor Chemicals Ltd.	Prior to September 1, 1994, Senior Vice President, Olefins/Polyolefins, Novacor Chemicals Ltd.; prior to December 1993, Vice President and General Manager, Plastics, DuPont Canada Inc.
Bruce Wayne Simpson	Senior Vice President, NOVA and President and Chief Operating Officer, NOVA Gas Transmission Ltd.	Senior Vice President of NOVA.
Clarence Kent Jespersen	Senior Vice President, NOVA and President, NOVA Gas International Ltd.	Senior Vice President of NOVA since September 1993; prior to September 1993, Senior Vice President, Corporate Development of NOVA Corporation of Alberta; prior to June 1992, President of Foothills Pipe Lines Ltd.

Name	Position with NOVA	Principal Occupations and Positions During Last Five Years
Jack Stephen Mustoe	Senior Vice President, General Counsel and Corporate Environmental Officer	Prior to October 21, 1994, Senior Vice President, General Counsel and Corporate Secretary of NOVA.
Sheila Helen O'Brien	Senior Vice President, Human Resources	Prior to January 24, 1995, Vice President for People and Community, NOVA Gas Transmission Ltd.; prior to July 29, 1994, Vice President for People, NOVA Gas Transmission Ltd.; prior to May 1994, Vice President for People, Alberta Gas Transmission Division of NOVA Corporation of Alberta; prior to March 1993, Director, Public Affairs, NOVA Corporation of Alberta; prior to July 1992, President of Belvedere Communications; prior to November 1991, Director, Public Affairs, Petro-Canada.
Albert Terence Poole	Senior Vice President and Chief Financial Officer	Prior to September 1, 1994, Senior Vice President, Corporate Development and Controller of NOVA since March 4, 1994 and, prior thereto, of NOVA Corporation of Alberta since September 1993; prior to September 1993, Vice President and Controller of NOVA Corporation of Alberta.

REPORT ON EXECUTIVE COMPENSATION

Composition of the Human Resources Committee

The Human Resources Committee of the Board of Directors is the committee of the Board that is responsible for the overall executive compensation strategy of NOVA and the on-going monitoring of the strategy's implementation. It is composed of Messrs. Haskayne (Chairman), Kissick and Ritchie, Drs. Boer and Pappas and Sir Graham Day. The Chairman of the Committee has direct access to NOVA's external consultants on compensation and human resources matters. None of the members of the Committee is or was formerly an officer or employee of NOVA or any of its subsidiaries. However, Mr. Haskayne was under contract to NOVA as Special Advisor to the Board from April 1991 to April 1992 and is now paid a consulting fee by NOVA in respect of his duties as Chairman of the Board. See "Compensation of Directors".

Report of the Human Resources Committee

The Human Resources Committee's mandate includes all executive compensation matters. NOVA's executive compensation policies are designed to provide competitive compensation that enables NOVA to attract and retain executives that will make significant contributions to NOVA's annual and long term goals.

The major elements of the executive compensation program are base salary, annual performance incentives, long term incentives through the granting of stock options, and non-cash compensation. The Human Resources Committee annually monitors comparative total compensation information to ensure that target levels of overall compensation are competitive with similar Canadian industrial organizations. In any particular year NOVA's executive officers may be paid more or less than executive officers at comparable organizations depending on corporate and business unit performance and individual contribution.

Base Salaries

Base salaries for all executive officers are paid within salary ranges established for each position on the basis of the level of responsibility relative to other positions in NOVA. The salary range for each position is determined through annual comparative salary surveys of 13 to 18 large Canadian industrial organizations of similar size and complexity to NOVA and set at approximately the average of the survey group. Individual salaries within a range are determined by that officer's contribution to NOVA.

The 1995 review of industry trends and comparative salary levels indicated a need to make only minor adjustments to salary ranges in 1996.

Mr. Newall's base salary was established by contract when he was hired in 1991 (see "Employment Contracts"). In 1995, NOVA engaged the services of a consultant to assess the competitiveness of Chief Executive Officer ("CEO") salary as compared to 17 Canadian companies of similar size and complexity. It was determined that the appropriate base salary for Mr. Newall would be $725,000 effective January 1, 1996. In lieu of cash salary compensation, Mr. Newall's contract was revised in 1993 to provide compensation in the form of 17,000 Common Shares per quarter for 1994 and 1995. While Mr. Newall will continue to receive his base compensation in the form of 17,000 Common Shares per quarter, this new base salary will be used for calculation of his management incentive plan and his benefits. Mr. Newall's contract has been amended again in 1996 to provide for continuation of his payment of 17,000 shares per quarter.

Non-Cash Compensation

Non-cash compensation includes employee benefits, perquisites and vacations. NOVA's non-cash compensation programs are designed to approximate the average of large Canadian industrial organizations. Non-cash compensation is monitored annually. Mr. Newall does not receive any non-cash compensation that is different from that received by other executive officers, other than as described under "Supplementary Pension Agreements" and "Employment Contracts". As Mr. Newall did not receive cash salary compensation in 1994 and 1995, a notional salary (which was set at $625,000 for 1994 and 1995 by the Human Resources Committee), equivalent to what he would have received in cash, was utilized to calculate benefits for which he is eligible and determining payments from the Management Incentive Plan. This approach to determining benefits will continue in 1996, based on Mr. Newall's 1996 notional salary of $725,000.

Management Incentive Plan

The Management Incentive Plan is designed to recognize the contributions to corporate and business results of executive officers and senior managers. The Management Incentive Plan constitutes a significant part of compensation. This plan provides for annual cash awards based on corporate and business unit performance and individual contribution to NOVA's results, measured against predetermined objectives. As the executive's responsibility level increases, the Management Incentive Plan represents an increasing portion of total compensation.

The guiding principle of the plan is to achieve a total compensation position, including base salary and management incentive target award, at the 75th percentile of like organizations if performance objectives, as approved by the Board of Directors, are achieved.

Management Incentive Plan awards are based on three components:

(a) corporate performance — based on the achievement of consolidated net operating income goals;

(b) business unit performance — based on the achievement of business related objectives, generally equally divided between financial objectives and other objectives such as improvement in environment, health and safety performance, customer service, operating performance, or other specific objectives; and

(c) individual contribution — based upon the achievement of specific individual objectives.

A target incentive award, based on each participant's level of responsibility, is set and communicated to each participant at the beginning of each year. Target awards are weighted 30% on individual contribution and

70% on corporate and business results. The 70% weighting factor for corporate and business results is split depending on the focus of the executive's position.

The actual incentive award paid each year, if any, is determined with reference to achievements in the three components set out above. If minimum performance levels are not reached, no incentive is payable. If target performance levels are reached, the target incentive award is payable. Provision is made in the plan to pay incentives in excess of the target award, to a maximum established by the Board, if performance in a year is exceptional. The factor by which the incentive award is calculated is pro-rated between the minimum, target and maximum award depending on actual performance under each of the three components.

In administering the plan, the Human Resources Committee may use its judgment in varying the amounts payable to executives. Management incentive awards are not taken into account for the purpose of calculating pension or other benefits.

As corporate objectives were greatly exceeded in 1995, awards above the target level were made in 1996 for 1995 performance. In 1995, the non-financial objectives were met or exceeded resulting in payments which were above target levels.

Mr. Newall's management incentive payments are based on the terms of the Management Incentive Plan, making him eligible for an incentive of 50% of base salary if his target is achieved and up to 125% if it is significantly exceeded. On that basis, his management incentive payment for service in 1995 was calculated at 250% achievement of corporate objectives weighted at 70% and 250% achievement of individual performance objectives weighted at 30%.

Option Plan

The purpose of the Option Plan is to provide incentive to key employees, including the CEO and each of NOVA's five other most highly compensated executive officers (the Named Executive Officers, "NEO's"), to: (a) align management interests with those of the common shareholder; (b) contribute to growth of shareholder value; (c) produce constant improvement in operating results; (d) remain as employees; and (e) become the owners of Common Shares.

The objective of the Option Plan is to provide compensation at a competitive level with other comparable North American organizations, and to align the interests of executives more closely with those of shareholders as the result of the efforts of key employees in generating growth in Common Share value. A consultant review in 1994 confirmed that the awards under the Option Plan were at the desired level with respect to 18 similar large Canadian companies, and in 1995 the review was expanded to include comparable North American petrochemical and gas services companies and NOVA's practices are comparable to this group. Options are granted by the Board on the recommendation of the Human Resources Committee for the purchase of a set number of Common Shares at an exercise price equal to the closing price of the Common Shares on The Toronto Stock Exchange on the date of grant. Each option may be exercised over a 10 year period and options generally vest as to one-quarter at the date of grant and an additional one-quarter per year for the next three years. Alternate vesting, up to full vesting at the date of grant, may be granted at the Board's discretion.

The number of options granted to each eligible employee, including executive officers, is determined by a formula based on base salary and levels of responsibility and is adjusted with reference to the relative performance of such employee. The criteria used for making such adjustments in respect of grants to executive officers are: (a) the relative level of achievement of the executive officer; (b) the level of responsibility of each executive officer; (c) whether or not the executive officer has been given additional responsibilities; (d) the number of shares under options then held by the executive officer; and (e) the competitiveness of the grants with similar organizations.

With regard to the above criteria, the Board, in 1995, granted to Mr. Newall an option to purchase 150,000 Common Shares.

BY THE HUMAN RESOURCES COMMITTEE

R. F. Haskayne (Chairman)	*W. N. Kissick*
F. P. Boer	*N. Pappas*
Sir Graham Day	*C. E. Ritchie*

Compensation of Officers

The following table sets forth the compensation paid by NOVA to the CEO and the NEOs, in each case in respect of the fiscal years ended December 31, 1995, 1994 and 1993.

Summary Compensation Table

(Columns reflect Canadian dollars except Options column which reflects number of shares under option)

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary (1)	Bonus (2)	Other Annual Compensation (5)	Securities Under Option/ SAR's Granted (7)	Restricted Shares or Restricted Share Units (8)	LTIP Payouts (8)	All Other Compensation (6)
J. E. Newall	1995	775,625 (3)	800,000		150,000	N/A	N/A	81,733
Vice Chairman and	1994	822,375 (3)	775,000 (4)		161,000	N/A	N/A	43,039
Chief Exec. Officer	1993	609,000	340,000 (4)	56,115 (9)	216,000	N/A	N/A	35,735
J. M. Lipton	1995	515,004	600,000		150,000	N/A	N/A	32,343
President	1994	466,668	550,000		225,000	N/A	N/A	283,914 (11)
	1993	37,500 (10)	15,000		200,000	N/A	N/A	N/A
D. W. Boivin	1995	275,004	260,000	100,000	N/A	N/A	16,474	
Senior	1994	198,336	200,000		150,000			30,734 (13)
Vice President	1993	N/A (12)	N/A		N/A			N/A
B. W. Simpson	1995	275,004	230,000		100,000	N/A	N/A	36,323
Senior	1994	263,247	215,000		43,000	N/A	N/A	19,042
Vice President	1993	256,000	100,000		45,000	N/A	N/A	16,599
C. K. Jespersen	1995	275,004	230,000		100,000	N/A	N/A	33,284
Senior	1994	241,128	200,000		50,000	N/A	N/A	16,518
Vice President	1993	228,375	125,000		33,000	N/A	N/A	12,978
A. T. Poole	1995	275,004	230,000		100,000	N/A	N/A	32,769
Sr. Vice President	1994	203,337	200,000		140,000	N/A	N/A	16,928
and C.F.O.	1993	180,631	241,000		26,000	N/A	N/A	13,155

Notes:

(1) See "Report of the Human Resources Committee — Base Salaries".

(2) NOVA has in place a management incentive plan which has clear objectives for participants and as such does not operate as a "bonus" plan. The use of the word "bonus" is a requirement of the Ontario Securities Commission. See "Report of the Human Resources Committee — Management Incentive Plan". The annual incentive amounts are earned in the year reported and paid in the first quarter of the following year.

(3) Mr. Newall's 1994 and 1995 salary was paid in the form of 17,000 Common Shares per quarter. As his salary is calculated using the closing price on The Toronto Stock Exchange on the last day of each quarter, the amounts shown reflect the variance in share price in 1994 and 1995.

(4) Mr. Newall's 1993 and 1994 management incentive payment was made in the form of 36,800 and 72,100 Common Shares, respectively. See "Report of the Human Resources Committee — Management Incentive Plan".

(5) The CEO and each NEO is in receipt of benefits and perquisites in addition to base salary and management incentive payments. The value of these benefits and perquisites does not exceed the lesser of $50,000 or 10% of the total annual salary and management incentive payment except for Mr. Newall.

(6) Includes the dollar value of insurance premiums paid by NOVA with respect to term life insurance for the benefit of the CEO and each NEO plus amounts paid under the NOVA Savings and Profit Sharing Plan.

(7) This column shows the total number of Common Share options granted to the CEO and each NEO during each respective year. See "Report of the Human Resources Committee — Stock Option Plan". NOVA has not granted any stock appreciation rights ("SAR's"). In 1994 NOVA reported the cumulative total of options held by the CEO and each NEO at the end of each respective year. NOVA has been instructed by the Ontario Securities Commission to report the total number of options granted in each year.

(8) NOVA does not grant Restricted Shares or Restricted Share Units and it does not have a long term incentive plan ("LTIP").

(9) Includes $36,751 received as a taxable benefit for use of the corporate plane in 1993.

(10) Mr. Lipton was employed for one month in 1993.

(11) Includes a payment of $263,045.62 as relocation budget and transition allowance in respect of Mr. Lipton's move from the U.S. to Canada.

(12) Mr. Boivin became an employee on January 2, 1994.

(13) Includes a payment of $28,587 as a relocation budget and transition allowance in respect of Mr. Boivin's move from Ontario to Alberta.

Stock Options

The table below shows the number of Common Shares available for purchase under share purchase options granted to the CEO and each of the NEO's during the period from January 1, 1995 to December 31, 1995 together with the percentage that the grant represents of total options granted by NOVA to its employees and employees of its subsidiaries in fiscal 1995, the per security exercise price, the per security market value of the underlying securities on the date the options were granted and the expiration date of the options granted. NOVA has not granted any SAR's.

Option and/or SAR Grants

Name	Securities Under Option/ SAR's Granted (#)	% of Total Options/SAR's Granted to Employees in 1995	Exercise or Base Price ($) (1)	Market Value of Securities Underlying Options/SAR's on the Date of Grant ($) (1)	Expiration Date
J. E. Newall	150,000	6.57%	11.125	11.125	March 2, 2005
J. M. Lipton	150,000	6.57%	11.125	11.125	March 2, 2005
D. W. Boivin	100,000	4.38%	11.125	11.125	March 2, 2005
B. W. Simpson	100,000	4.38%	11.125	11.125	March 2, 2005
C. K. Jespersen	100,000	4.38%	11.125	11.125	March 2, 2005
A. T. Poole	100,000	4.38%	11.125	11.125	March 2, 2005

Note:

(1) Options are granted for Common Shares at the closing market price on The Toronto Stock Exchange on the date the grant is made by the Board. Options are granted for a term of ten years, exercisable on a cumulative basis as to 25% in the first 12 months, 25% in the second 12 months, 25% in the third 12 months and 25% thereafter for the term of the option.

The table below shows the number of Common Shares acquired on exercise of options during fiscal 1995 by the CEO and the NEO's, together with the aggregate dollar value realized on such exercises, the total number of Common Shares still available for acquisition under option, both vested and unvested, and the dollar value of "in-the-money" unexercised options, both vested and unvested.

Aggregated Option Exercises During the Year

Name	Securities Acquired on Exercise	Aggregate Value Realized (1)	Unexercised Options/ SAR's at December 31, 1995		Value of Unexercised In-the-Money (2) (3) Options/SAR's at December 31, 1995	
			Non-Vested	Vested	Non-Vested	Vested
J. E. Newall	0	0	247,000	1,430,000	269,125	3,900,625
J. M. Lipton	0	0	275,000	300,000	153,125	328,125
D. W. Boivin	0	0	150,000	100,000	65,625	65,625
B. W. Simpson	0	0	107,750	275,250	64,344	756,531
C. K. Jespersen	34,000	138,485	108,250	166,750	63,344	330,406
A. T. Poole	44,000	118,200	151,500	159,500	72,313	215,688

Notes:

(1) Calculated as the difference between the market value on exercise and the exercise price of the related option.

(2) Calculated as the difference between the closing price of Common Shares on December 29, 1995 ($11.00) and the exercise price of the related option.

(3) "In-the-money" means that the market value of the Common Shares underlying the options on that date exceeds the option exercise price.

Pension Plans

Officers, along with all salaried employees, participate in NOVA's non-contributory pension plans which provide a retirement income and a 60% surviving spouse's pension based on the officer's years of service and the average base salary of the highest three consecutive years of the officer's final 10 years of service adjusted to reflect benefits payable under government sponsored plans. The amount of pension may vary based on other factors including the age of the employee at retirement and the form of pension elected. The following table illustrates the amount of annual pension received by an employee retiring at age 62 on December 31, 1995 who has not elected an optional form of pension benefit.

Pension Plan Table

	Years of Service						
Remuneration	5	10	15	20	25	30	35
125,000	8,973	19,946	31,419	42,892	54,365	65,838	78,338
150,000	10,973	24,346	38,319	52,292	66,265	80,238	95,238
175,000	12,973	28,746	45,219	61,692	78,165	94,638	112,138
200,000	14,973	33,146	52,119	71,092	90,065	109,038	129,038
225,000	16,973	37,546	59,019	80,492	101,965	123,438	145,938
250,000	18,973	41,946	65,919	89,892	113,865	137,838	162,838
300,000	22,973	50,746	79,719	108,692	137,665	166,638	196,638
400,000	30,973	68,346	107,319	146,292	185,265	224,238	264,238
500,000	38,973	85,946	134,919	183,892	232,865	281,838	331,838
600,000	46,973	103,546	162,519	221,492	280,465	339,438	399,438
700,000	54,973	121,146	190,119	259,092	328,065	397,038	467,038
750,000	58,973	129,946	203,919	277,892	351,865	425,838	500,838
800,000	62,973	138,746	217,719	296,692	375,665	454,638	534,638
850,000	66,973	147,546	231,519	315,492	399,465	483,438	568,438
900,000	70,973	156,346	245,319	334,292	423,265	512,238	602,238
950,000	74,973	165,146	259,119	353,092	447,065	541,038	636,038

Notes:

(1) NOVA's pension plan is a defined benefit plan. The benefit formula is integrated with the Canada Pension Plan ("CPP"). The non-contributory future service benefit is equal to the sum of (a) plus (b) where:

(a) is 1.0% times credited service times the lesser of

(i) Highest Average Earnings (defined below) and

(ii) Average Maximum Pensionable Earnings (defined below)

(b) is 1.6% times credited service times the amount, if any, by which the Highest Average Earnings exceeds the Average Maximum Pensionable Earnings.

Highest Average Earnings is the average of the highest 36 consecutive months of base salary in the last ten years and Average Maximum Pensionable Earnings is the three year average of the Year's Maximum Pensionable Earnings as determined in accordance with the Canada Pension Plan Act. Management incentive payments are not included in base salary for the purpose of determining pension benefits.

Pension benefits for (a) married retirees, upon death, consist of 60% of the member's benefit payable to the surviving spouse for life, and (b) single retirees are payable for life and are guaranteed for 5 years after pension commences.

Pension benefits are not subject to any deduction for social security or other offset amounts.

(2) Estimated credited years of service to December 31, 1995 for the CEO and each NEO are:

J. E. Newall	4.33 years
J. M. Lipton	2.08 years
D. W. Boivin	2.0 years
B. W. Simpson	24.5 years
C. K. Jespersen	17.75 years
A. T. Poole	7.83 years

(3) Table is calculated based on service in existing and continuing prior plans and includes supplementary pension amounts described below, but does not include optional contributory pension plan.

(4) Table shows benefit payable at age 62 if the employee left NOVA on December 31, 1995.

Supplementary Pension Agreements

NOVA's pension plan benefits are subject to maximum annual benefit accruals of $1,722.22 per year of credited service or to any greater maximum which may be provided for in the Income Tax Act (Canada) from time to time. NOVA has entered into pension agreements with certain officers and employees which provide for supplementary pension payments, computed with reference to the earned pension under NOVA's pension plan. These supplementary payments would be above the maximum annual benefit accrual permitted by NOVA's pension plan and, therefore, would not be deductible for income tax purposes by NOVA until paid to the respective officer or employee. The aggregate pension payments resulting from such agreements and the pension payments payable under NOVA's pension plan would be generally equivalent to the benefit which is earned under

NOVA's pension plan without the maximum annual benefit described above. Although these supplemental pension agreements still exist with individual employees including the CEO and NEO's, in 1992 NOVA approved a policy to provide the same supplementary pension payments to all employees who become subject to the maximum annual benefit accrual.

In addition to the foregoing, Mr. Newall's employment contract (see "Employment Contracts") provides that he is guaranteed an annual pension of not less than $20,000 per annum per year of employment, resulting in NOVA agreeing to make up any short-fall between what the pension plans would provide and the $20,000 per annum amount. Mr. Newall is also entitled, after retirement and prior to age 65, to elect to receive as a lump sum the commuted value of the additional pension benefits provided for as noted above. At December 31, 1995 Mr. Newall's contractual annual pension benefit will be $86,600.

Mr. Lipton's employment contract provides that NOVA make up any short-fall should the value of pension benefits provided through NOVA and Mr. Lipton's previous employer be less than the value of pension benefits that Mr. Lipton would have received had he remained with his previous employer until retirement.

Employment Contracts

NOVA has entered into employment agreements with Mr. Newall and Mr. Lipton.

Mr. Newall's employment contract provides for an indefinite term of service at NOVA at a minimum annual salary of $600,000, reviewable annually with a view to determining appropriate increases (which are determined under NOVA's compensation policy — see "Report of the Human Resources Committee"). In 1995 Mr. Newall was paid, and in 1996 Mr. Newall will be paid, his annual salary in the form of 17,000 Common Shares per quarter. Mr. Newall's 1996 base salary for management incentive payment and benefits calculation purposes will be $725,000. The purpose of this compensation arrangement was to directly link Mr. Newall's compensation to creating shareholder value. Mr. Newall's reported income for these years will reflect the number of Common Shares issued to Mr. Newall multiplied by the market price of these Common Shares on the date of issuance. His Management Incentive Plan target (see "Report of the Human Resources Committee") is 50% of his notional salary for achieving performance objectives established by the Board of Directors. Mr. Newall can receive up to a maximum of 125% of his notional salary for significantly exceeding such objectives. Mr. Newall received his management incentive payments in 1994 and 1995 for service in 1993 and 1994, respectively, in Common Shares. In response to a request from the Human Resources Committee of the Board, Mr. Newall has agreed to receive his 1996 management incentive payment for service in 1995 in cash.

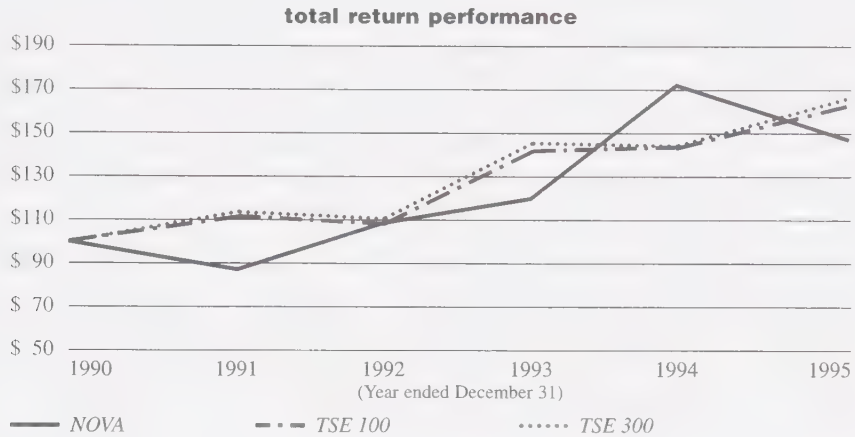
Mr. Newall's contract provides for the additional pension payments described above under "Supplementary Pension Agreements", $20,000 per annum in personal financial and tax planning fees and an initial stock option of 1,000,000 Common Shares vested as to 100% and exercisable for seven years without reference to whether or not Mr. Newall is still employed by NOVA over that seven year period. In the event of Mr. Newall's termination of employment other than for cause, he is entitled to be paid a termination payment consistent with the prevailing practice of NOVA at the time of his termination, in lieu of any compensation he might otherwise have received from NOVA.

Mr. Lipton's employment contract provides for an indefinite term of service at a minimum salary of $450,000, reviewable annually with a view to determining appropriate increases (which are determined under NOVA's compensation policy — see "Report of the Human Resources Committee"). For the first year of his employment contract he was entitled to a minimum additional management incentive payment equal to 40% of his salary. Mr. Lipton's employment contract provides for an initial stock option of 200,000 Common Shares in accordance with the terms of the Option Plan. During the one year waiting period where Mr. Lipton is not eligible to participate in the NOVA Employee Savings and Profit Sharing Plan, Mr. Lipton received additional compensation in cash equivalent to the amount he would have received if he were entitled to participate in the plan through the provision of monthly payments at a rate of 5.6% of salary. NOVA also provided Mr. Lipton with assistance with the sale of his home in the United States and his relocation to Calgary in the form of real estate and transition support. In the event of termination of his employment, other than for cause, Mr. Lipton is entitled to be paid one times the salary and management incentive payments received by him in the most recently completed year along with compensation for loss of benefits, savings plan and pension plan contributions and the cost of relocation back to the United States, all payable in lieu of damages.

In addition to the agreements described above, NOVA has entered into a consulting agreement with R. L. Pierce, a NOVA director, under which Mr. Pierce will provide international business advice and other services. This agreement was effective May 1, 1994. In 1995 Mr. Pierce was paid approximately $420,000 for service in 1994 and $535,000 for service rendered in 1995 under the terms of this agreement.

Total Return Performance

The following graph demonstrates a five calendar year comparison of cumulative total return (assuming reinvestment of dividends) performance based upon an initial investment of $100 invested on December 31, 1990 in Common Shares as compared with The Toronto Stock Exchange's TSE 100 Composite Index and TSE 300 Composite Index.



Compensation of Directors

Prior to 1996, each director who was not a full-time employee of NOVA (a "Non-Employee Director") was paid an annual retainer fee in cash. In 1995 the annual retainer fee was $15,000. In November 1995 the Board of Directors authorized, subject to regulatory and shareholder approval, the creation of the NOVA Director Share Compensation Plan (the "Director Share Compensation Plan") in order to change the form of the annual retainer fee paid to Non-Employee Directors. Under the Director Share Compensation Plan, effective as of January 1, 1996 each Non-Employee Director would be paid an annual retainer fee in the form of Common Shares issued from treasury, instead of a cash retainer fee as in previous years.

Shareholders are being asked to approve the Director Share Compensation Plan as part of NOVA's efforts to improve its ability to attract and retain directors whose skills and experience will add value to NOVA's business strategies. As NOVA expects its directors will have broader international experience, director compensation at NOVA will be competitive with North American and world standards. The payment of the director's annual retainer fees solely in the form of Common Shares will also more closely align the directors' interests with the long-term interests of NOVA shareholders.

The Director Share Compensation Plan is subject to regulatory and shareholder approval before implementation. See "Special Business — NOVA Director Share Compensation Plan". Under the Director Share Compensation Plan, NOVA will pay directors an annual retainer fee in cash or shares, at NOVA's option, with a value consistent with industry standards. If approved by shareholders, the Director Share Compensation Plan will give the Board of Directors the authority to amend the terms and conditions of the Director Share Compensation Plan from time to time, including the number of Common Shares which may be issued to a Non-Employee Director as an annual retainer, provided that the total number of Common Shares which may be issued under the Director Share Compensation Plan will not exceed 350,000, and that the Director Share Compensation Plan will terminate on April 1, 2001. Common Shares issued under the Director Share Compensation Plan will be subject to any trading or resale restrictions under any applicable laws in the jurisdiction in which the recipient Non-Employee Director resides and each Non-Employee Director will be responsible for reimbursing NOVA in respect of any withholding tax which NOVA is obliged to remit to Revenue Canada in connection with the issuance of Common Shares to that director. For 1996, the Board of Directors has approved an annual retainer fee for each Non-Employee Director of 3,000 Common Shares, issuable in quarterly installments in arrears. The cash benefit

conferred by the issuance of Common Shares to Non-Employee Directors will be determined when the Common Shares are issued. As the necessary shareholder approval of the implementation of the Director Share Compensation Plan cannot be obtained until the Meeting, the directors have agreed to postpone the payment of the first quarterly installment of their 1996 annual retainer fee until April 19, 1996.

If shareholders do not approve the Director Compensation Plan, effective January 1, 1996 Non-Employee Directors will be paid an annual retainer fee of $30,000 in cash, payable quarterly in arrears.

In addition to the annual retainer fee each Non-Employee Director is paid an attendance fee of $1,500 for each directors meeting attended, except in the case of the Chairman of the Board to whom a fee of $3,000 (including the $1,500 attendance fee) is paid for each directors meeting attended, and a travel fee of $1,500 for one travel day prior to each directors meeting attended, where travel is required out of province, and $3,000 where travel is required out of country.

Each Non-Employee Director who is a member of the Corporate Governance Committee, the Audit and Finance Commitee, the Human Resources Committee or the Public Policy, Risk and Environment Committee, is paid an attendance fee of $1,500 for each committee meeting attended, except in the case of the chairman of each such committee to whom a fee of $3,000 (including the $1,500 attendance fee) is paid for each committee meeting attended, and a travel fee of $1,500 for one travel day prior to each committee meeting attended where travel is required out of province and $3,000 where travel is required out of country.

The attendance, travel and committee fees will continue to be paid in cash. Directors who are full-time employees of NOVA do not receive directors' fees.

In December 1993 the Board of Directors approved the NOVA Director Share Purchase Plan (the "Director Share Purchase Plan") which, like the Director Share Compensation Plan, is intended to further the alignment of the interests of the directors with those of the shareholders. All Non-Employee Directors are eligible to participate in the Director Share Purchase Plan, under which each participating director may elect to have some or all of his or her annual cash retainer, if any, and attendance and travel fees (subject to a contribution of a minimum of 50% of the after-withholding-tax annual retainer fee) paid to a custodian at the end of each calendar quarter. If the Director Share Compensation Plan is approved by the shareholders, the directors will only be able to elect to have travel and attendance fees used to purchase NOVA shares. The custodian uses the funds to purchase Common Shares in the open market on behalf of the participating director. A participating director may withdraw all or a portion of the Common Shares purchased under the Director Share Purchase Plan and held by the custodian on his or her account on up to four occasions per year.

At the 1994 annual meeting of shareholders, shareholder approval was obtained to amend the Option Plan to allow Non-Employee Directors to be eligible to receive options thereunder. Under the Option Plan and current policy, each Non-Employee Director is granted options to purchase Common Shares in amounts such that the market value of the Common Shares underlying the options is approximately equal to the estimated cash value of that director's annual retainer fee and attendance fees. The cash value of the retainer fee, if paid in shares, will be estimated based on the trading price of the shares on each date of issuance in the previous financial year. These options entitle the Non-Employee Director to purchase Common Shares at a price equal to the closing trading price for Common Shares on the day on which the options are issued. In 1995, each Non-Employee Director, other than the Chairman, received options to purchase 3,000 Common Shares at a price of $11.125 per Common Share, while the Chairman received options to purchase 40,000 Common Shares at a price of $11.125 per Common Share.

Mr. Haskayne was paid a fee of $200,000 by NOVA in 1995 in respect of his duties as Chairman of the Board.

CORPORATE GOVERNANCE

In 1994 the TSE Report on Corporate Governance recommended that The Toronto Stock Exchange adopt as a listing requirement that each listed company incorporated in Canada be required to disclose information relating to its system of corporate governance with reference to the guidelines set out in the TSE Report. NOVA has fully supported these initiatives since their inception; this is the second year it has disclosed its corporate governance standards and procedures in detail in its Information Circular and in summary in its Annual Report. NOVA is fully committed to maintaining its leadership role in the area of corporate governance. Since 1991, NOVA has had in place a broadreaching plan for governance. With the company's increasing national and international development,

combined with the globalization of the petrochemicals and gas services businesses, the directors and management have responded to the need to establish forward-looking governance policies and to constantly evaluate and modify them to ensure their effectiveness. NOVA's disclosure is set out in matrix form and attached to this Information Circular as Schedule "A". This disclosure statement has been prepared by the Corporate Governance Committee of the Board and has been approved by the Board of Directors.

NOVA is aligned with the guidelines recommended by the TSE Report and now adopted by the Toronto and Montreal stock exchanges. The one exception to NOVA's alignment with the guidelines relates to a recommendation that there be clearly stated mandates for the Board and the Chief Executive Officer. While NOVA's CEO has a specific mandate, this is not the case for NOVA's Board of Directors. NOVA's full Board has plenary power, without a specific mandate. Any responsibility which is not delegated to NOVA's senior management or a committee of the Board remains with the full Board. NOVA believes this is an appropriate arrangement given the respective responsibilities of the Board committees and senior management.

SPECIAL BUSINESS

NOVA Director Share Compensation Plan

NOVA is seeking shareholder approval to implement the Director Share Compensation Plan described above under "Compensation of Directors". Approval of the Director Share Compensation Plan requires an affirmative vote of a majority of votes of holders of Common Shares who, if entitled to do so, vote in person or by proxy on this matter at the meeting other than votes attaching to Common Shares beneficially owned by the current directors or nominees for election as directors of NOVA and their respective associates which total 727,886 Common Shares.

The rules of the stock exchanges on which the Common Shares are listed require or make it advisable to obtain shareholder approval of the implementation of the NOVA Director Share Compensation Plan. Under the plan, and subject to shareholder approval, each Non-Employee Director will be paid an annual retainer fee in the form of Common Shares issued from treasury. The Board of Directors shall have the discretion to amend the terms and conditions of the Director Share Compensation Plan from time to time, provided that, the maximum number of Common Shares which may be issued under the Director Share Compensation Plan is 350,000 and that the Director Share Compensation Plan shall terminate as of April 1, 2001.

Management believes that the implementation of the plan will further align the interests of the directors with those of the shareholders.

APPOINTMENT OF AUDITORS

It is proposed that Ernst & Young, Chartered Accountants, be appointed to act as auditors of NOVA for the current year. Ernst & Young have served as auditors of NOVA or its predecessors since 1956. Representatives of Ernst & Young are expected to be present at the Meeting and will be given the opportunity to make a statement if they wish to do so. They will also be available to respond to appropriate questions.

SHAREHOLDER PROPOSALS

Shareholder proposals to be considered at the 1997 annual meeting of shareholders of NOVA must be received at the principal executive offices of NOVA no later than January 17, 1997 to be included in the information circular and form of proxy for such annual meeting.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The contents and the sending of this Information Circular have been approved by the Board of Directors of NOVA.

By Order of the Board of Directors

(Signed) J. E. NEWALL, O.C. Vice Chairman and Chief Executive Officer	(Signed) A. T. POOLE Senior Vice President and Chief Financial Officer

March 7, 1996

SCHEDULE "A"

NOVA ALIGNMENT WITH CORPORATE GOVERNANCE GUIDELINES

Corporate Governance Guideline	Does NOVA Align?	Comments
1. **Board should explicitly assume responsibility for stewardship of the corporation**, and specifically for:		
a. adoption of a strategic planning process	Yes	a.1 One Board meeting a year is set aside for a substantial strategic planning session. a.2 The Human Resources Committee and the Board review the written objectives of the senior executives and provide guidance for the development of corporate strategy.
b. identification of principal risks, and implementing risk-managing systems	Yes	b.1 The Board has specifically identified NOVA's principal risks and receives an integrated health, safety and environment report annually. b.2 NOVA has established committees to implement and monitor systems put in place to address these risks. As an example, the Public Policy, Risk and Environment Committee played a role in establishing NOVA's environmental management system and, in cooperation with the Corporate Environmental Officer, monitors its operation.
c. succession planning and monitoring senior management	Yes	c.1 The Human Resources Committee reviews and reports to the Board on organizational structure and succession planning matters at least annually. c.2 The CEO has a written objective that makes succession planning a priority. c.3 The Human Resources Committee reviews and monitors executive development programs. c.4 NOVA uses the Self Management by Objectives ("SMBO") system to monitor the performance of senior management.
d. communications policy	Yes	d.1 The Board has put structures in place to ensure effective communication between NOVA, its stakeholders and the public. These structures include the Public Policy, Risk and Environment Committee. It has a mandate to review and advise the Board on policies and programs to create a strong, cohesive, sustained and positive image of the corporation for customers, shareholders, governments and the public. The Board undertakes an annual review of its strategy with respect to communication to all stakeholders. d.2 NOVA's shareholder communication program provides for the open, accessible, non-selective and timely exchange of material information with all shareholders, respecting the business, activities and performance of NOVA, subject to applicable legal requirements. Shareholder communications are available in either English or French. The disclosed information is released through news wire services, the general media, a home page on the Internet and mailings to shareholders. Individual queries, comments or suggestions can be made at any time by calling or writing directly to NOVA's head office in Calgary, Alberta. NOVA has a dedicated shareholder relations group to respond to individual shareholder inquiries and maintains a toll-free telephone line for ease of contact. In addition, NOVA has an investor relations and public affairs group to respond to inquiries from investors, media and the public. Together, these groups deal with investor concerns and ensure that all inquiries receive a full and timely response.

Corporate Governance Guideline	Does NOVA Align?	Comments
e. integrity of internal control and management information systems	Yes	e.1 The Board has, through the appointment of various committees, put in place an effective system for monitoring the implementation of corporate strategies. Each of the following committees is responsible to review and advise the Board on implementation of corporate strategy in the noted areas: — Human Resources: employment, remuneration and succession planning — Public Policy, Risk and Environment; environmental and health and safety compliance — Audit and Finance: compliance of financial reporting with accounting principles and oversight of all financing plans — Corporate Governance: determining Board agendas and priorities and proposing Board and Board Committee membership to the full board and oversight of the effectiveness of management's interaction with and responsiveness to the Board.
2. **Majority of directors should be "unrelated"** (free from conflicting interest)	Yes	J. E. Newall (CEO) and R. L. Pierce (former officer of NOVA) are the only Board members who are related. J. M. Lipton, a proposed director, is the President of NOVA. If he and the other proposed directors are elected to the Board, 12 out of 15 directors will be unrelated to NOVA.
3. **Disclose for each director whether he or she is related**, and how that conclusion was reached	Yes	J. E. Newall — Related — is Vice Chairman and CEO of NOVA. R. L. Pierce — Related — is former officer of NOVA; is current director and officer of NOVA subsidiaries; is a consultant to NOVA. J. M. Lipton — Related — is President of NOVA R. F. Haskayne — Unrelated — is non-executive Chairman of the Board; — no former affiliations with NOVA, other than a consultancy which is no longer in place; — is paid a yearly fee in respect of his duties as Chairman. For the remainder of the proposed directors, none of them or their associates have: — worked for NOVA — material contracts with NOVA — received remuneration from NOVA in excess of directors' fees. F. P. Boer — Unrelated R. B. Coleman — Unrelated Sir J. G. Day — Unrelated J. J. Healy — Unrelated H. N. Hotchkiss — Unrelated J. M. MacLeod — Unrelated H. P. Milavsky — Unrelated N. Pappas — Unrelated J. G. Rennie — Unrelated C. E. Ritchie — Unrelated A. Wexler — Unrelated
4. a. **Appoint a Committee responsible for appointment/assessment of directors**	Yes	a.1 The Corporate Governance Committee has the mandate to: — recommend candidates for the Board — annually review credentials of nominees for re-election — recommend candidates for filling vacancies on the Board — ensure qualifications are maintained — annually review the performance of the Board and the Chairman and review the mandates of each Board Committee. a.2 A periodic directors' survey acts as assessment by each director to ensure issues of corporate governance are raised to management.
b. Composed exclusively of non-management directors, the majority of whom are unrelated	Yes	

Corporate Governance Guideline	Does NOVA Align?	Comments
5. **Implement a process for assessing the effectiveness of the Board, its Committees and individual directors**	Yes	The Corporate Governance Committee is mandated to: — monitor the quality of the relationship between management and the Board and recommend improvements — survey the directors regarding the effectiveness of Board operation and act as an informal assessment — review on an annual basis the proposed Board and Committee Agendas.
6. **Provide orientation and education programs for new directors**	Yes	The Corporate Secretary and Secretary to the Board prepare a "Director's Manual" for new and existing directors, which is updated from time to time. New Board members receive a director's orientation. The Corporate Governance Committee annually recommends to the Board a broad list of topics for discussion. These topics often have a continuing education theme. Recent presentations have been given to the Board on comparative director liability between Canada and the United States, business conduct guidelines and the governance of NOVA's partially owned entities. In addition, directors are given updates on business and governance initiatives on a continuous basis and in response to questions raised by Board members. Board meetings are held at plant sites from time to time, to give the directors additional insight into NOVA's business.
7. **Consider reducing size of Board**, with a view to improving effectiveness	Yes (15 current and proposed directors)	A board must have enough directors to carry out its duties efficiently, while presenting a diversity of views and experience. NOVA has a number of distinct businesses, some international. This defines the current number of directors. The Board reviews the contributions of the directors, and considers whether the current size of the Board promotes effectiveness and efficiency. The Board believes it does. With the degree of international focus of NOVA's businesses, in the near term there will be a concentration on adding directors with international experience.
8. **Review compensation of directors** in light of risks and responsibilities	Yes	The Corporate Governance Committee is mandated to review and recommend to the Board for approval the remuneration of directors and conducts a comprehensive annual review of the directors' level and mix of compensation. The Committee considers time commitment, comparative fees and responsibilities in determining remuneration.
9. a. **Committees should generally be composed of non-management directors**; and	Yes	NOVA committees are composed solely of non-management directors.
b. Majority of Committee members should be unrelated	Yes	
10. **Appoint a Committee responsible for approach to corporate governance issues**	Yes	The Corporate Governance Committee is generally mandated to be responsible for the Board governance of NOVA. Included in its mandate is the responsibility to: — review the mandates of the Board's committees and recommend changes — recommend allocation of directors to the various committees — undertake "such other initiatives as are needed to help the Board deliver exemplary corporate governance".
11. a. **Define limits to management's responsibilities** by developing mandates for:		
(i) the Board	No	There is no specific mandate for the Board, since the Board has plenary power. Any responsibility which is not delegated to senior management or a Board committee remains with the full Board. In addition to those matters which must by law or by the Articles of NOVA be approved by the Board, management is required to seek Board approval for major transactions including those that are in excess of $50 million budgeted and $25 million non-budgeted. Changes in senior management are also approved by the Board. More detailed descriptions of matters requiring board approval are set out in NOVA's board committee mandates, which are briefly described on page 8 and in NOVA's Annual Report.
(ii) the CEO	Yes	The CEO's written objectives constitute a mandate on a year to year basis. These objectives include the general mandate to maximize shareholder value.
b. Board should approve CEO's corporate objectives	Yes	The Human Resources Committee approves the CEO's written objectives on an annual basis which are reviewed by the full Board.

Corporate Governance Guideline	Does NOVA Align?	Comments
12. **Establish procedures to enable the Board to function independently of management**	Yes	One of the CEO's written objectives is to improve the quality of interaction between management and the Board. The Board meets independently of management for a portion of each meeting. The Corporate Governance Committee ensures that the Board functions independently of management. It is chaired by the non-executive Chairman of the Board. The Board expects NOVA's management to be responsible for the day-to-day functioning of NOVA's business. The Board acts in a supervisory role and expects NOVA's management to: (a) undertake an on-going review of NOVA's vision, strategies and their implementation in light of evolving business strengths, market conditions, technology and government regulation; (b) report in a complete, accurate and timely fashion on NOVA's business and affairs, and on any matters of material consequence for NOVA and its shareholders; (c) conduct a comprehensive annual budgeting process and closely monitor NOVA's financial performance against the annual budget; and (d) take timely actions respecting NOVA's activities within the framework of legal requirements and the corporate policies in effect, with a view to enhancing shareholder value.
13. a. **Establish an Audit Committee with a specifically defined mandate**	Yes	a.1 NOVA's Audit and Finance Committee is generally mandated to: — monitor audit functions and the preparation of financial statements — approve press releases on financial results — review all prospectuses, material change reports and the annual information circular — meet with the outside auditors independently of management — review and approve foreign currency risk strategies — oversee the funding and administration of NOVA's pension plans.
b. all members should be non-management directors	Yes	
14. **Implement a system to enable individual directors to engage outside advisers**, at the corporation's expense	Yes	Individual directors can engage outside advisers with the authorization of the Chairman of the Committee.

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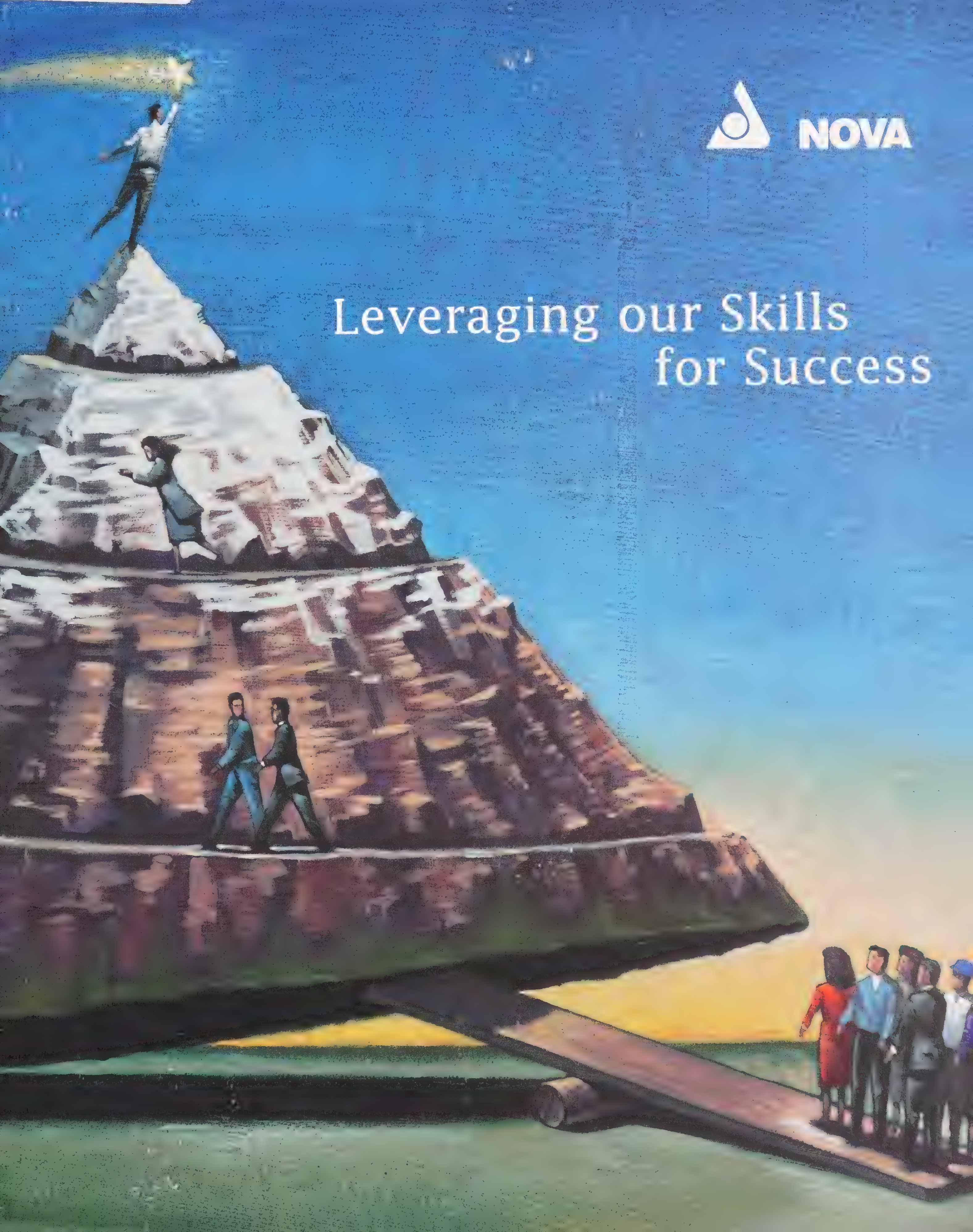
NOVA Corporation 1996 Annual Report

NOVA



Leveraging our Skills for Success

Our teams of people are developing and leveraging their knowledge and operations capability to increase NOVA's overall success.

Profile

About the Company Headquartered in Calgary, Alberta, NOVA Corporation (NOVA) is an integrated natural gas services and petrochemicals company. The company's chemical business is North America's fourth largest and lowest-cost producer of ethylene, sixth largest and lowest-cost producer of polyethylene and second largest producer of polystyrene. NOVA also owns 25% of Methanex Corporation, the world's largest and lowest-cost producer of methanol. The company operates one of the world's most technologically advanced and cost-efficient natural gas transmission systems which transports 18% of the natural gas produced in North America. NOVA has a 26% interest in NGC Corporation, a leading gatherer, processor, transporter and marketer of energy products and services in the United States. Internationally, we continue to leverage our natural gas services expertise and relationships built on 23 years of consulting and project development in five key regions.

Our Vision To be the best natural gas services and petrochemicals company — integrated, worldwide.

The information in this document contains forward-looking statements with respect to NOVA Corporation, its subsidiaries or affiliated companies. By their nature, these forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. These risks and uncertainties include commodity chemicals prices, regulatory and competitive developments affecting the Alberta pipeline, cost levels in both the chemicals and gas services operations, Canadian/U.S. exchange rates and other risks detailed from time to time in the publicly filed disclosure documents and securities commission reports of NOVA Corporation and its subsidiaries or affiliated companies.

Contents

1996 Financial Highlights

NOVA's earnings in 1996 are the third highest in the company's history. We grew our revenue and added to our overall financial strength. Cyclical pressures on chemical prices reduced earnings compared with our record year of 1995.

1996 vs. 1995

(34)% decrease in net income from ongoing operations to $463 million

7% increase in market capitalization to $5.7 billion

(18)% decrease in funds from operations to $830 million

4% increase in revenue to $4.7 billion

8% increase in assets to $10 billion

Long-term Financial Growth

In the three years 1994 to 1996, NOVA significantly grew its business when compared with the previous three-year chemical pricing peak period of 1987 to 1989.

1994-1996 vs. 1987-1989

138% increase in net income

119% increase in market capitalization

44% increase in funds from operations

44% increase in revenue

27% increase in assets

Financial Growth Target

100% increase in earnings per share within the next five to seven years

1996 Key Events

In 1996, NOVA made significant progress towards growth targets by remaining focused on its vision and leveraging proven strengths – its people, its low-cost performance and its operations excellence.

NOVA Corporation (NOVA)

- NOVA's 1996 earnings from ongoing operations were $463 million. Our earnings improved steadily throughout the year as polyethylene prices recovered from the low levels at the beginning of the year. Total earnings for the year were reduced by $32 million to $431 million as a result of NOVA's share of Methanex's asset write-down.

- NOVA's stock price was up 10.5% for 1996, to $12.15 on December 31, 1996, compared with $11 at the end of 1995. Total return to shareholders in 1996 was 14%.

- NOVA announced a repurchase program for up to 5% or 25 million of NOVA's common shares. Repurchasing shares increases earnings per share by reducing the number of shares outstanding. As of December 31, 1996, NOVA had bought back approximately 18.2 million shares. The repurchase program announced in March 1996 expires in March 1997.

- During 1996, NOVA announced two common share dividend increases. In February, a one-cent-per-quarter increase was approved effective with the May 15 dividend payment. In December, another one-cent-per-quarter increase was approved effective with the February 15, 1997, dividend payment. When added to the increase in 1995, the dividend has increased by 67% in two years to a total of 10 cents per quarter. The increases acknowledge our strong financial performance and reflect management's confidence in future earnings and cash flow.

- In 1996, NOVA completed its second Voluntary Climate Change Challenge Program submission to the Federal Ministry of Natural Resources and was one of 40 companies recognized for the quality of their efforts to mitigate climate change (in a field of approximately 600 submissions).

NOVA Chemicals

- NOVA Chemicals made an important breakthrough in polyethylene technology with Advanced SCLAIRTECH™ technology (Advanced SCLAIRTECH). This new technology has the capability to give polyethylene customers a lower-cost alternative to products made using current metallocene technology. Advanced SCLAIRTECH will also enable NOVA Chemicals to pursue a number of new applications where its products will bring additional value. We are completing plans for a new polyethylene plant based on Advanced SCLAIRTECH. As with earlier generations of SCLAIRTECH, NOVA Chemicals plans to license Advanced SCLAIRTECH worldwide.

- Rising feedstock costs in 1996 provided NOVA Chemicals with the opportunity to clearly demonstrate the benefits of its low-cost ethylene position in North America. Many of NOVA's competitors experienced significant declines in operating income in the fourth quarter, when compared with the same period in 1995. NOVA-operated chemicals businesses showed a 95% improvement in operating income in the fourth quarter over that quarter of 1995.

- NOVA and Union Carbide Corporation announced construction plans for a jointly owned third ethylene plant (EIII) at Joffre, Alberta, to be completed by the year 2000. Total investment by both partners is anticipated in the range of $825 million for 2.0 billion pounds per year of capacity. This unit is fully expandable to 2.8 billion pounds for modest incremental cost.

- NOVA Chemicals acquired ARCO Chemical Company's (ARCO Chemical) plastics division in September 1996, at a cost of $218 million including working capital. The purchase includes ARCO Chemical's polystyrene manufacturing facilities located in Beaver Valley, Pennsylvania, and Painesville, Ohio. This purchase strengthens our market position and adds specialty resins to our product offerings for markets that we did not previously serve.

- NOVA Chemicals formed a 50/50 alliance with Borealis A/S (Borealis), Europe's leading manufacturer of polyolefins, to supply producers of wire and cable products in North and South America.

- Methanex Corporation (Methanex) continued to further enhance its low-cost position by adding a second world-scale methanol plant (Chile II) in January 1997, and announcing plans for construction of a third methanol plant (Chile III) in 1997. When this unit comes on stream, expected in 1999, Methanex has targeted to have reduced its global delivered cash costs by 25% over five years.

NOVA Gas Transmission (NGT)

- For the tenth consecutive year, NGT transported record volumes, shipping 4.4 trillion cubic feet (Tcf) of natural gas – up 4% from 1995. The pipeline company also met virtually 100% of its firm service delivery commitments in 1996.

- Through a collaborative process with customers and others in the Western Canada natural gas industry, NGT successfully negotiated a five-year Cost-Efficiency Incentive Settlement. The Settlement, which became effective January 1, 1996, provides incentives for NGT to continue to reduce operating and capital costs and to maximize system utilization. It is unique in the Canadian natural gas pipeline industry because it also includes a Capital-Efficiency Incentive Mechanism (presently before the Alberta Energy and Utilities Board (EUB) for approval). This mechanism is designed to minimize the cost of new-capacity construction.

- To protect the interests of its customers, NGT mounted an unprecedented effort to better understand the merits and potential impacts of proposed pipeline alternatives which, if approved and constructed, would bypass the NGT system. The company negotiated the suspension of the most advanced of these proposals, the Palliser Pipeline, by offering a unique load-retention service. This service, subject to EUB approval, will retain volumes on the NGT system and avoid duplication of facilities, thereby minimizing increases in overall transportation costs in the basin. It satisfies the short-haul interests of Palliser shippers and moderates the price increase to NGT's other customers.

- NGT has secured firm-service contracts to underpin system expansions that will enable producers to take advantage of capacity increases on the TransCanada PipeLines Limited (TCPL) system in 1997, and the Northern Border Pipeline Company (Northern Border) system in 1998. Additional increases in NGT capacity will be put in place to meet further expected TCPL expansions.

- For the third year in a row, NOVA's Alberta pipeline system was ranked third among 73 North American pipelines for customer satisfaction and service. The independent customer satisfaction survey, performed during 1996, ranked NGT's system first among all large pipelines for customer satisfaction and service.

NOVA Gas International (NGI)

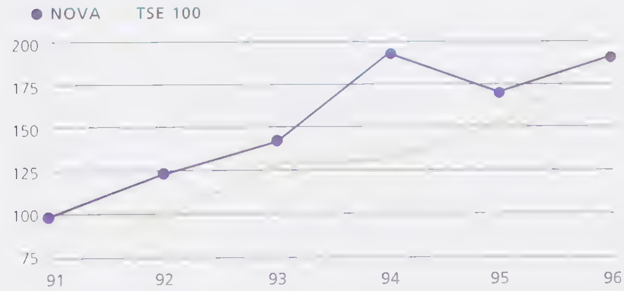
- Excellent progress was made throughout 1996 on the $450-million GasAndes pipeline, which will carry natural gas from Argentina to Chile. The company has overcome aggressive competition and challenging geography to build a natural gas pipeline across the Andes Mountains, on time and on budget. NGI holds a 56.5% stake in this Canadian/Chilean/Argentine consortium which owns this pipeline. As of December 31, 1996, construction was 95% complete in Argentina and 56% complete in Chile. Gas is expected to flow to Santiago in mid-1997.

- NGI continues to play a major role in the emerging pipeline grid in the Southern Cone of South America with a goal to move gas from Argentina into Uruguay and Brazil. We have increased our equity interest in Transportadora de Gas del Norte S.A. (TGN) to 19%.

- NGC Corporation (NGC) became one of North America's leading energy marketers in 1996 after merging its operations with Chevron Corporation's mid-stream natural gas and natural gas liquids business. The merger crystallizes the company's one-stop position as a leading gatherer, processor, transporter and marketer of energy products in North America. This and other initiatives are reflected in a 162% increase in NGC's share price in 1996. NOVA owns approximately 26% of NGC's common shares.

- NGI and NGC announced plans to reorganize jointly owned Novagas Clearinghouse Limited Partnership (NCL). The reorganization gives NGI 100% ownership of Pan-Alberta Gas Ltd. (Pan-Alberta) and full ownership of NCL's existing natural gas and natural gas liquids gathering, processing and transportation business. NGC will assume control of NCL's gas and natural gas liquids marketing business in Canada.

total return performance*



*Total Return = Appreciation in share value, assuming reinvestment of dividends
Assumes $100 invested on December 31, 1991, in NOVA shares and the TSE 100
NOVA's December 31, 1996 closing share price on the TSE was $12.15

To our Shareholders

By every measure 1996 was a very profitable year. Although we did not repeat the record earnings set in 1995, our 1996 earnings are our third best ever. Altogether, our earnings in the most recent three years, 1994 to 1996, were double that of the last three-year chemical pricing peak period, 1987 to 1989.

In 1996, all of our businesses met with success, satisfying their dual objectives of capturing opportunities for significant growth while at the same time continuing a relentless drive to improve their low-cost positions. Growth, cost leadership and fully leveraging our business and technical knowledge are vital to our future. They are the keys to outstanding profitability.

Underlying these broad business objectives is a powerful unifying focus, found across all of NOVA — to develop the full capabilities of all of our people. By doing this, NOVA is being transformed into a pacesetting company in people leadership.

A second major focus is to achieve true operating excellence in all of our businesses. We are a small company competing against the world's giants, but few companies have NOVA's depth of expertise for adding value to natural gas and other hydrocarbons.

NOVA continues to be in a period of very rapid change as it upgrades each of its operations and functions. This has placed heavy demands on NOVA's employees. Despite this, our organization is delivering truly impressive results and ranks with the best in the world. Our people are transforming NOVA into a highly competitive, winning team. We are very proud of our employees' outstanding contributions.

Shareholder Value

Our objective is to deliver well above average, long-term growth in value to our shareholders. Total return for shareholders averaged 14% per year from the start of 1992 to the end of 1996. NOVA's total equity was increased from $1.5 billion at the beginning of 1992 to $3.9 billion at year-end 1996. Our market capitalization increased by 138% in the same period, from $2.4 billion to $5.7 billion. The more than doubling of both our total equity employed and our market capitalization has created a much stronger company for our shareholders.

Continued focus on capturing growth opportunities and leveraging our increasingly competitive low-cost position across all businesses, are the key elements in our drive to meet our target of doubling our earnings per share over the next five to seven years.
At the same time, we are confident we will dramatically improve our financial results at the bottom of industry cycles.

(left to right)

J.E. (Ted) Newall
Vice Chairman and Chief Executive Officer

Richard F. Haskayne
Chairman

Jeffrey M. Lipton
President

NOVA Chemicals

Consumption of each of the products we manufacture is growing in North America and Europe, and expanding even faster in developing nations. Over the past five years global consumption of polyethylene and polystyrene has grown at a compound annual rate of 5% and 4.1% per year respectively. Consumption of methanol has grown by between 5% and 6% per year. As a result, industry capacity additions have been absorbed by the market in relatively short periods of time. NOVA's sales volume increased by more than 8% over last year from both capacity additions and acquisitions.

To compete effectively in global markets we are committed to our target of becoming the lowest-cost producer of each of our products. The benefits of our improved low-cost position were clearly evident in the last half of 1996 when U.S. producers faced sharply higher operating costs leading to a decline in earnings. During the same period, NOVA Chemicals was able to demonstrate the strength of its operations by maintaining stronger margins than much of its competition.

NOVA Chemicals produced 4.7 billion pounds of ethylene in 1996 and 2.4 billion pounds of polyethylene, up from 4.4 and 1.4 billion pounds respectively, in 1991. New capacity has been added over the past five years at a very low average cost of U.S. 19 cents per pound for ethylene, U.S. 9 cents per pound for polyethylene and U.S. 11 cents per pound for polystyrene. The combination of carefully controlled fixed cost spending spread over much higher production volumes decreased our overall unit fixed costs by more than 20% per pound since 1991.

NOVA Chemicals' position as one of the world's leading producers of ethylene is being further enhanced. In the year 2000, in partnership with Union Carbide, we will start up a third ethylene plant, EIII, at our Joffre, Alberta site. Debottlenecking in both Corunna and Joffre is expected to add another one billion pounds of low-cost capacity per year of ethylene. This is planned to occur after the completion of EIII.

Polyethylene capacity growth will come from a proposed new SCLAIR® polyethylene plant in Joffre, using the Advanced SCLAIRTECH technology, supplemented by approximately 400 million pounds of potential expansions at the Moore and St. Clair River polyethylene sites near Sarnia, Ontario, and the existing plant at the Joffre, Alberta site.

In 1996, all of our businesses met with success, satisfying their dual objectives of capturing opportunities for significant growth while at the same time continuing a relentless drive to improve their low-cost positions.

The most important development for NOVA Chemicals in 1996 is the completion of its innovative new polyethylene technology, Advanced SCLAIRTECH. This proprietary technology has been successfully tested at our large-scale pilot plant in Sarnia. Unlike many new polyethylene technologies, we believe there is very limited potential for legal conflicts associated with the technology.

We believe Advanced SCLAIRTECH is equal to, or better than, other competitive polyethylene technologies in terms of capital cost, operating costs and range of product properties. It is also far more flexible than most other polyethylene manufacturing processes. The new technology should keep NOVA Chemicals fully competitive with other industry leaders, both in manufacturing polyethylene and in licensing. A new polyethylene manufacturing facility in Joffre using Advanced SCLAIRTECH is expected to be brought forward to the Board of Directors for approval during the last half of 1997.

NOVA Chemicals has a very low-cost purchased styrene supply for conversion into polystyrene, but operating costs at its styrene manufacturing site in Sarnia have been too high. Late in 1996, we made the decision to install new technology aimed at significantly reducing costs and increasing the production capability of the site from 600 million pounds to 950 million pounds. Unit costs of the upgraded plant are expected to rank with the best in North America.

During the year, NOVA purchased ARCO Chemical's plastics division, with facilities in Beaver Valley, Pennsylvania and Painesville, Ohio. This business has a recognized market leadership position in many styrenics products.

The ARCO Chemical business manufactures attractive, higher value-added automotive engineering resins and other plastics products. This is consistent with our plans to serve higher value-added markets for both polyethylene and polystyrene. When combined with our existing strong commodity resin position and our plans to reduce unit costs at our existing facilities, we will rank among the leaders in North America in the styrenics business.

With the ARCO Chemical acquisition, NOVA's polystyrene capacity rises to 1.3 billion pounds. Low-cost expansions of existing sites are expected to increase this to 1.6 billion pounds in the next three years. While current market conditions for styrenics are weak, we are concentrating on continued cost reductions and streamlining of operations to deliver solid performance, consistently over the business cycle.

Over the past five years, we believe the powerful combination of fixed cost containment and substantial increases in low-cost new capacity has sharply improved NOVA Chemicals' bottom-of-cycle financial performance capability. Our growth initiatives, our breakthrough technology and our continued focus on driving down costs provide the basis for our optimism that we will achieve our goal of doubling chemicals earnings again, within the next five to seven years.

The near-term outlook for petrochemicals prices is improving, but the outlook over the next few years is uncertain. We expect to continue to improve our performance relative to our industry peers.

NOVA Gas Transmission

NGT is one of the largest and fastest growing natural gas transmission systems in North America. For the tenth successive year, NGT set a natural gas throughput record. The Western Canada Sedimentary Basin (WCSB) remains one of the largest and least explored basins in North America and, as a result, has some of the best growth prospects for the future. NGT facilitates that growth by providing timely new transportation capacity with the lowest possible capital and operating costs.

Benchmarking against U.S. regulated pipelines demonstrates that NGT is the low-cost leader for adding new capacity in all pipe sizes. NGT's 1996 average unit transportation rates were essentially flat when compared with those of the past five years. This is despite a steady increase over the same period in the average distance that natural gas is transported. Independent customer satisfaction surveys continue to rank NGT near the top of all North American pipelines.

Much publicity has been given to the need for additional pipeline capacity to increase exports of gas from the WCSB. NGT will support this growth by constructing new facilities that connect to the expanding take-away capacity. Throughout its 40-plus year history, NGT has always met the demands of Alberta producers for delivery of gas inside Alberta or to export points.

During 1996, NGT reached an agreement with its customers to implement a new five-year Cost-Efficiency Incentive Settlement. If NGT continues to reduce operating and capital costs and improve system utilization, shippers will see lower charges, and NOVA shareholders will see higher earnings.

In 1996, a number of groups launched initiatives for proposed pipelines which would bypass the NGT system. A facilities application for the Palliser Pipeline (Palliser) project was filed with the National Energy Board (NEB) in mid-November 1996. Through negotiations with Palliser's lead shipper, PanCanadian Petroleum Limited (PanCanadian), PanCanadian and NOVA agreed to suspension of the application and acceptance of a transportation rate, subject to EUB approval, which reflects a unique, short-haul restricted service. We believe the agreement effectively balances the needs of the majority of our customers because it retains the Palliser volumes on the NGT pipeline system and causes only minimal rate increases to other NGT customers. NOVA will examine other bypass proposals to determine their viability.

Although the rate of growth for NGT in the near term will match our most recent rates, our goal is to grow the NGT system to enable it to increase earnings by as much as 50% over the coming five to seven years.

NOVA Gas International

NGI's goal is to become the third major earnings stream for NOVA. Its objective is to deliver more than $100 million per year of earnings to NOVA within three years – a 50% increase. This is an ambitious, but we believe achievable goal.

NGI is responsible for all of NOVA's interests in the global energy services industry with the exception of the Alberta pipeline. These interests include participation in regulated and non-regulated business opportunities where NOVA's competencies and accumulated experience and know-how can add significant value.

NGI has carried out more than 300 international consulting contracts over the past 23 years. Three years ago we broadened our activity to include strategic equity investments in attractive gas service opportunities. Since then, we have invested over $700 million in gas gathering, processing, marketing, transportation and storage.

A significant part of this investment was made to supplement our expertise in gas marketing, through the acquisition of an interest in Natural Gas Clearinghouse, now NGC Corporation. NGC is now North America's largest gas and gas liquids marketer, and has created THE ENERGY STORE℠ to market its full range of energy products. The merger this year of Chevron Corporation's natural gas gathering, processing and marketing operations with NGC is a major step forward. NOVA's cash investment in NGC has grown from $341 million in March 1995, to a book value of $418 million at year-end 1996. The market value of our investment was $1.2 billion at the end of 1996.

Few companies have NOVA's depth of expertise for adding value to natural gas and other hydrocarbons.

Outside of North America, NGI's primary investment focus is in the Southern Cone of South America and the Asia-Pacific region. The industrial development demands and the need for a clean-burning fuel in these regions are leading to rapid growth in the use of natural gas.

NGI's success internationally has been greatly facilitated by its strong local partners. These partners complement our world-leading gas transmission know-how by helping us cope successfully with formidable competitors, language barriers and different legal and regulatory systems.

Outlook

In the near term, NOVA expects continued solid growth in NGT and strong growth in NGI earnings. In the same period, the outlook for chemicals prices is that they are likely to be volatile, but with continued growth and progress on costs and efficiencies we anticipate excellent results.

Thank You

On behalf of NOVA's full management team and our employees, we would like to thank you, our investors for your continued confidence and support for our activities.

R. F. Haskayne

Richard F. Haskayne
Chairman

J. E. Newall

J. E. (Ted) Newall, O.C.
Vice Chairman and Chief Executive Officer

J M Lipton

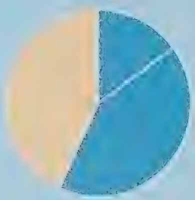
Jeffrey M. Lipton
President

February 20,1997

Inside NOVA

Profile of Business

NOVA Chemicals



Contribution to NOVA's 1996 total earnings: 43%

Mission

A leading supplier of petrochemicals and plastics, relied upon to provide the best value to targeted customers worldwide.

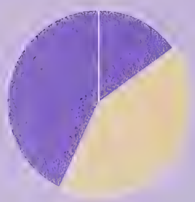
- Net income $185 million
- For more information, see pages 18 to 25

- one of North America's largest commodity chemical companies
- one of the world's lowest-cost producers of ethylene and polyethylene
- $3.0 billion in revenues
- operator of world-class manufacturing facilities in Canada and the United States
- average capital employed – $2.0 billion
- 3,403 employees

Growth Drivers

- increased global demand for chemical products in North America, Europe and Asia

NOVA Gas Transmission



Contribution to NOVA's 1996 total earnings: 42%

Mission

As the natural gas transportation service of choice, we help make Western Canada the supply of choice for North Americans.

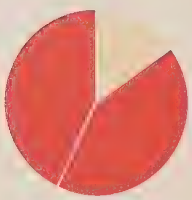
- Net income $181 million
- For more information, see pages 26 to 29

- one of the world's largest and most technologically advanced gas transmission systems
- primary transporter of natural gas within Alberta for producers of the Western Canada Sedimentary Basin
- average investment base – $4.8 billion
- 1996 return on equity – 11.75%
- 2,384 employees

Growth Drivers

- increased U.S. and Canadian demand for natural gas
- continued development of the natural gas reserves in the Western Canada Sedimentary Basin
- customer requests for incremental expansion

NOVA Gas International



Contribution to NOVA's 1996 total earnings: 15%

Mission

Focused on becoming the best natural gas processing, transportation and marketing company in the world.

- Net income $66 million
- For more information, see pages 30 to 33

- more than 23 years' experience in global natural gas services, participating in over 300 projects in 50 countries worldwide
- invests in natural gas and natural gas liquids opportunities in the United States and Canada through NGI, NGC Corporation, NCL and Foothills Pipe Lines Ltd. (Foothills)
- provides engineering and project execution services to natural gas and petrochemicals industries worldwide
- average capital employed – $957 million
- 431 employees

Growth Drivers

- increased demand for natural-gas-fuelled electrical power in developing countries worldwide
- demand for sophisticated natural gas services from small producers in North America
- demand for exports of Canadian gas to the United States

Business unit contribution

Affiliates, Subsidiaries and Associated Businesses	Products and Services	Locations	Competitors
Methanex Corporation • NOVA owns 25% • the largest and the lowest-cost producer of methanol in the world • $1.3 billion in revenues • $116 million in net income (before write-down) • 1996 capacity is 2 billion gallons • end products are formaldehyde, methyl tertiary butyl ether (MTBE) and acetic acid • 881 employees	• Ethylene – 4.9 billion lbs. • Polyethylene – 2.5 billion lbs. • Styrene – 1.4 billion lbs. • Polystyrene – 1.3 billion lbs. • Ethylene co-products – 3.7 billion lbs.	• Joffre, Alberta • Montreal, Quebec • Sarnia, Ontario • Addyston, Ohio • Beaver Valley, Pennsylvania and Painesville, Ohio • Decatur, Alabama • Indian Orchard, Massachusetts	• Dow • Exxon • Huntsman • Lyondell • Mobil • Millennium • Union Carbide
NrG Information Services Inc. • NOVA owns 25% • North America's only electronic system for transacting natural gas transportation business across multiple, non-affiliated pipelines using one standardized system • vision — to provide customers with one electronic facility to make seamless contractual and operational arrangements for buying, selling, moving and storing natural gas across participating pipelines	• transports 80% of Canada's natural gas production, equivalent to 18% of all natural gas produced in North America • moved 4.4 Tcf of natural gas in 1996 • average gas deliveries were 12.1 Bcf per day in 1996 • builds and extends pipeline infrastructure to meet customer developments of natural gas	• 938 receipt and 166 delivery points located throughout Alberta • 48 compressor stations • 21,700 kilometres (13,500 miles) of pipeline • in 1996, NGT delivered natural gas for use in: Alberta – 687 Bcf Western U.S. – 909 Bcf Eastern Canada and U.S. – 1,848 Bcf Midwestern U.S. – 978 Bcf	• Potential bypass pipelines in Alberta • Other North American natural gas supply basins
NGC Corporation • NOVA owns 26% • one of North America's leading independent natural gas and natural gas liquids marketers • marketed 4.3 Bcf of gas per day in 1996 **Foothills Pipe Lines Ltd.** • NOVA owns 50% • transports approximately one-third of Canada's gas destined for U.S. markets • moved 927 Bcf of gas in 1996 **Gasoducto GasAndes S.A.** • NOVA owns 56.5% • will be the first pipeline across the Andes Mountains to supply natural gas from Argentina to Chile **Transportadora de Gas del Norte S.A.** • NOVA owns 19% • ideally positioned to play a critical role in other pipeline projects in the Southern Cone of South America **OGP Technical Services Sdn. Bhd.** • NOVA owns 40% • provides project management and engineering services in Asia	• gas services development and consulting along the natural gas value chain • recent international successes in GasAndes pipeline project and long-term relationship with joint-venture partner PETRONAS in Malaysia	• focused on five key regions: Canada, the United States, Mexico, Asia Pacific and South America • currently has projects in North America, the Southern Cone of South America, Malaysia, Thailand, Indonesia and Australia	• British Gas • CMS Energy • El Paso • Enron • Shell • TransCanada • Westcoast • Williams

Leveraging our knowledge helps us to successfully develop bold solutions for our customers in breakthrough chemical technology for use in the manufacturing of polyethylene.

Advanced SCLAIRTECH – Breakthrough in technology

In December 1996, NOVA Chemicals entered a new era of innovation with the announcement that it had achieved a major breakthrough with the development of its Advanced SCLAIRTECH polyethylene technology.

The breakthrough was made by combining a new high-efficiency catalyst with an innovation in reactor design. Advanced SCLAIRTECH is highly competitive with emerging technologies using metallocene catalysis.

INNOVATION

It is capital and operating cost competitive and provides for highly flexible production capabilities.

The use of Advanced SCLAIRTECH produces a new generation of exceptional quality, high-performance polyethylene resins that meet or exceed end-product characteristics achievable with metallocenes. These new resins provide a balance of performance across the whole range of established polyethylene products, such as film, extrusion coating, various molding applications, pipe and geomembranes. The resins allow polyethylene processors to make high-performance products for almost every market. Another important benefit for processors is the ease of processing the new resin, which will allow them to increase production rates and reduce demands on their equipment.

NOVA Chemicals is currently identifying markets where improvements in polyethylene products are most in demand and where Advanced SCLAIRTECH has the greatest competitive advantage. This is where we expect to achieve the highest value application of this new technology for our customers and the best returns for NOVA.

Sole ownership of the technology is a major advantage for NOVA, one that few competitors can match. Advanced SCLAIRTECH is free of legal encumbrances and of the financial costs associated with licensing a technology from a third party. This provides us with a clear cost advantage in the production of polyethylene.

Advanced SCLAIRTECH is also expected to create more opportunities for NOVA to expand the licensing of its technology to chemical producers in locations throughout the world. Potential licensees will have access to a technology capable of delivering competitive products at a competitive cost.

Advanced SCLAIRTECH builds on the technology acquired from DuPont Canada Inc. in 1994. It is a result of three years of work by a team of people made up of NOVA scientists and researchers, some formerly from DuPont, and others from NOVA Chemicals, NGT, and a variety of Canadian and international universities. The technology has undergone extensive testing and demonstration in NOVA's pilot plant facilities in Sarnia.

A new polyethylene manufacturing facility in Joffre using Advanced SCLAIRTECH is expected to be brought forward to the Board of Directors for approval during the last half of 1997.

NOVA Chemicals' breakthrough in Advanced SCLAIRTECH polyethylene technology is the result of three years' work by an outstanding team of scientists, technologists and researchers, a number of whom work out of NOVA's Research and Technology Centre in Calgary

Our objective is to achieve well above average, long-term growth for our shareholders.

Management Discussion and Analysis

NOVA's Earnings Performance

(millions of dollars, except for share data)	1996	1995	1994
NOVA Chemicals	$ 185	$ 508	$ 412
NOVA Gas Transmission	181	166	143
NOVA Gas International	66	31	29
Corporate	(1)	(3)	(9)
Net income	$ 431	$ 702	$ 575
Net income per share (fully diluted)	$ 0.91	$ 1.44	$ 1.20

Net Income for 1996 is $431 Million

NOVA's earnings for 1996 are the third highest in the company's 40-plus year history. Continued growth in earnings from NGT and NGI and improving petrochemicals markets during 1996 all contributed to this performance. Net income of $702 million in 1995 was NOVA's best year ever. This record was established primarily as a result of strong petrochemicals markets in the first half of 1995.

The $15-million increase in earnings in 1996 for NGT reflects the benefits of the first year of our Cost-Efficiency Incentive Settlement as well as pipeline expansion. The more than doubling of NGI earnings is primarily attributable to NGC Corporation's growing U.S. natural gas marketing and liquids operations.

Earnings from NOVA Chemicals declined 64% to $185 million for 1996 compared with $508 million in 1995. The principal reasons for the decline in earnings are as follows:

– Average benchmark prices(1) for polyethylene were down 9%, when compared with 1995. Polyethylene prices have been volatile over the past two years. Prices averaged U.S. $0.49 per pound in the first half of 1995, fell to U.S. $0.32 per pound by the first quarter of 1996 and then climbed back to a peak of U.S. $0.47 by August 1996. The December 1996 price was U.S. $0.44 per pound. The downward movement in price levels in the second half of 1995 was a result of additional capacity and softening of market demand. The increase in prices for 1996 was driven by very strong demand coupled with increasing feedstock costs. The effects of the lower average prices in 1996 were partially offset by a 14% increase in polyethylene sales volumes and ongoing benefits from re-engineering.

– Styrene and polystyrene prices fell dramatically on a year over year basis. In 1996, styrene prices experienced a 33% decline as a result of reduced Asian and U.S. demand while polystyrene prices declined 18% primarily due to increased industry capacity.

– Corunna's ethylene operations experienced a 20% increase in crude oil feedstock costs when compared with 1995. The increased crude oil feedstock costs have been partially offset by higher co-product prices from the crude oil processing unit and naphtha cracking streams at the Corunna facility. Rising demand and strong economic growth combined with unusually cold weather in both the first and fourth quarters of 1996, as well as disruptions in the supply of oil from the North Sea and Iraq in 1996, led to higher feedstock costs for ethylene producers.

– Earnings in 1996 from NOVA's equity investment in Methanex were $73 million lower than in 1995. Of this amount $32 million relates to a write-down in the value of assets to be idled by Methanex.

1995 Earnings Increased with Rising Petrochemicals Prices

The improvement in earnings for 1995 when compared with 1994 was primarily a result of higher earnings from NOVA Chemicals. Polyethylene and styrenics prices began rising halfway through 1994. Prices continued to increase through the first quarter of 1995 but levelled off in the second quarter and then declined during the last half of the year. The year closed with prices at levels that existed in mid-1994.

NOVA Chemicals' 1994 earnings included a $120-million after-tax gain on the sale of Novalta Resources Inc.

Net income in 1995 also increased as a result of the expansion of the NGT pipeline system.

(1) Unless otherwise indicated, all prices quoted for petrochemicals products are average benchmark prices on the U.S. Gulf Coast as published by Chemical Data Inc. in its Monthly Petrochemical & Plastics Analysis. Average benchmark prices are not necessarily the actual prices realized by NOVA Chemicals, Methanex or any other petrochemicals company.

Changes in Net Income per Share and Net Income: Better (Worse)

	1996 compared with 1995	1995 compared with 1994	1996 compared with 1995	1995 compared with 1994
	(cents per share)		(millions of dollars)	
NOVA Chemicals				
Higher (lower) product margins	(58) cents	62 cents	$ (276)	$ 291
Higher product volumes	12	3	55	13
Lower equity in earnings of Methanex	(9)	(16)	(41)	(76)
Methanex asset write-down	(7)	–	(32)	–
Gain on sale of Novalta Resources Inc.	–	(26)	–	(120)
Higher re-engineering and computer system development costs	(2)	(1)	(8)	(6)
Other	(3)	(1)	(21)	(6)
	(67)	21	(323)	96
NOVA Gas Transmission				
Increase in investment base	1	6	5	27
Decrease in after-tax return on common equity	–	(1)	–	(4)
Cost-efficiency incentives	2	–	8	–
Other	–	–	2	–
	3	5	15	23
NOVA Gas International				
Higher equity in earnings of NGC Corporation	5	–	26	2
Other	2	–	9	–
	7	–	35	2
Corporate and other	–	1	2	6
Increase (decrease) in net income	(57)	27	$ (271)	$ 127
Decrease (increase) in average number of shares outstanding(1)	1	(4)		
Dilutive factors	3	1		
Increase (decrease) in fully diluted net income per share(2)	(53) cents	24 cents		

(1) Average number of shares outstanding (1996 – 475 million; 1995 – 479 million; 1994 – 464 million).
(2) Fully diluted net income per share (1996 – $0.91; 1995 – $1.44; 1994 – $1.20).

Factors Affecting NOVA's Net Income per Share[1]

Assumptions[2]	Estimated annual EPS increase (decrease)[1]		Assumed third party sales	
NOVA Chemicals				
Increase in profit margin of U.S. 1¢ per pound				
Polyethylene	4.6	cents	2.5	billion lbs
Styrene	0.5	cents	0.3	billion lbs
Polystyrene	2.4	cents	1.3	billion lbs
Propylene	1.3	cents	0.7	billion lbs
U.S. $10-million increase in Methanex's net income	0.7	cents		
NOVA Gas Transmission				
Increase of $100 million in the average investment base	0.9	cents		
NOVA Gas International				
U.S. $10-million increase in NGC's net income	0.7	cents		
Increase in interest rates by one per cent	(0.7)	cents		
Increase in Canadian dollar by U.S. 1¢[3]	(0.4)	cents		

(1) Estimated annual change on fully diluted net income per share (EPS) based on 465 million shares. Assumes Cdn. $1 = U.S. $0.73.
(2) A decrease in these factors will have the opposite effect on net income per share.
(3) Excludes anticipated exposures that have been eliminated through hedging. NOVA has hedged approximately 80% of its anticipated 1997 U.S. dollar net exposure.

Factors that Influence NOVA's Earnings

The largest factor influencing NOVA's earnings is the profitability of its petrochemicals operations and in particular its polyethylene business. Earnings from NGT and NGI are not as volatile.

Factors that Influence NOVA Chemicals' Earnings

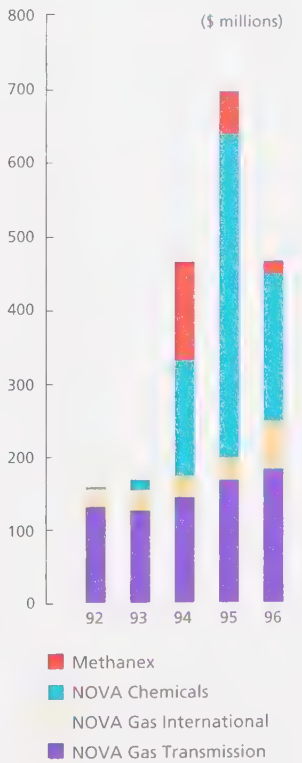
Global marketplace for commodity chemicals

NOVA Chemicals competes on a global basis in an industry typified by significant cyclical price increases and decreases. The price cycles are created by overall global demand and supply balances. These balances are influenced by production capacity additions, feedstock availability and cost, world economic growth patterns and chemical buyer psychology.

NOVA Chemicals believes that to be successful and create competitive advantages in the commodity chemicals business it must achieve the following four objectives:

- access to low-cost feedstock;
- low-cost, world-scale operations;
- low-cost capacity increases through debottlenecks or acquisitions;
- focused and fully competitive technology.

business earnings summary[1]



(1) Excludes non-recurring gains and losses.

Average Benchmark Prices on the U.S. Gulf Coast[1]

(U.S $ per pound except methanol)	1Q 1996	2Q 1996	3Q 1996	4Q 1996	For the year 1996	For the year 1995	For the year 1994
Polyethylene[2]	$ 0.32	$ 0.39	$ 0.45	$ 0.44	$ 0.40	$ 0.44	$ 0.33
Styrene	0.31	0.33	0.32	0.30	0.31	0.46	0.33
Polystyrene	0.46	0.46	0.47	0.44	0.46	0.56	0.46
Propylene	0.15	0.17	0.18	0.18	0.17	0.21	0.14
Methanol[3]	0.42	0.42	0.45	0.48	0.45	0.67	0.87

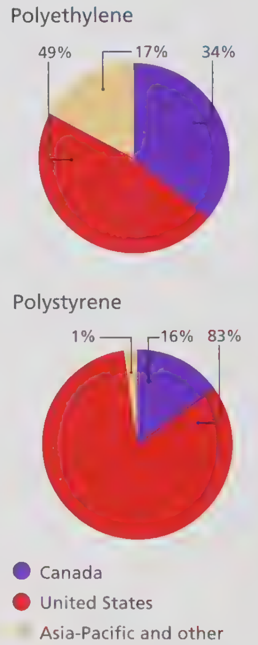
(1) Source: Monthly Petrochemical & Plastics Analysis by Chemical Data Inc. Average benchmark prices are not necessarily the actual prices realized by NOVA or any other petrochemical company.
(2) Linear low-density polyethylene.
(3) Methanex's average realized price in U.S. $ per U.S. gallon.

NOVA Chemicals' principal businesses

NOVA Chemicals operates two principal commodity-based businesses: olefins and polyolefins, and styrenics. The olefins and polyolefins business produces ethylene, propylene, various co-products, and polyethylene, while the styrenics business produces styrene and polystyrene. Over 40% of NOVA's ethylene production is currently sold under contracts which allow NOVA to recover production costs plus earn a specific return. Substantially all of the remaining ethylene production is used by NOVA to produce polyethylene and styrene. Of the total styrene produced by NOVA, approximately 75% is used to produce polystyrene with the balance being sold into the merchant market.

Through NOVA's 25% ownership in Methanex, NOVA participates in the operations of the world's largest producer and marketer of methanol.

NOVA Chemicals sells worldwide



Foreign currency

NOVA's major markets are in the United States, Canada, Europe and the Asia-Pacific region. The selling price for most petrochemicals products is established in U.S. dollars or is tied to a U.S. Gulf Coast benchmark price. NOVA has significant production facilities in Canada with costs established in Canadian dollars. This relationship, where revenues fluctuate with changes in the U.S. dollar and a portion of production costs is established in Canadian dollars, means that NOVA's earnings would be expected to increase with a lower-valued Canadian dollar and decrease with a higher-valued Canadian dollar.

NOVA uses forward currency contracts and options to reduce its exposure to fluctuations in the U.S. dollar. At December 31, 1996, NOVA has forward contracts and options in place to hedge a total of U.S. $2.3 billion of net revenues. This represents approximately 70% of the estimated U.S. dollar revenue stream exposure for the period 1997 through 2001. These contracts mature from 1997 through 2001 and have an average exchange rate of $0.746 per Canadian dollar ($1.34 per U.S. dollar). This compares with the end of 1995, when NOVA had U.S. $760 million in forward contracts and options outstanding at an average exchange rate of $0.72 per Canadian dollar ($1.39 per U.S. dollar). The Audit and Finance Committee of NOVA's Board of Directors regularly reviews foreign exchange hedging activity, ensuring it complies with NOVA's hedging policy. Foreign currency instruments are not used for speculative purposes.

Commodity hedges and trading

NOVA Chemicals purchases approximately 146 Bcf of natural gas and 25.8 million barrels of crude oil, natural gas liquids and condensates per year as feedstock for its chemical operations. NOVA Chemicals enters into short-term fixed price contracts and commodities futures contracts in order to manage the risk of fluctuating prices on a near-term basis. The extent to which these hedging instruments are used depends on market conditions. NOVA Chemicals ties its position in the futures markets to its physical feedstock requirements and these hedging instruments are not used for speculative purposes. NOVA Chemicals has secured fixed price contracts for natural gas to support approximately 70% of the ethane feedstock requirements for Joffre for 1997 at prices comparable to 1996.

Factors that Influence NGT's Earnings

NGT is not involved in natural gas marketing activities, and therefore its earnings are not directly affected by fluctuations in the commodity price of natural gas.

NGT is a transporter of natural gas, and as such, earnings are generated by a negotiated, incentive-based return on its pipeline investment base.

Earnings are affected by the size of the pipeline investment base, which grows in response to customer requests for incremental service. Customer requests for incremental service are influenced by characteristics of the natural gas market.

Under the Cost-Efficiency Incentive Settlement concluded with customers and approved by the EUB in 1996, earnings are also affected by any variance between costs recovered through transportation tolls as determined under this settlement and actual costs incurred in the year. The impact of any variance is shared equally by NGT and its customers. Costs incurred in any year will be escalated at 2% and will provide the basis for the subsequent year's approved cost recovery.

NGT's incentive-based earnings

Fixed return of $173 million on investment base(1)

(existing at January 1, 1996)

+

Variable return on incremental investment(2)

(since January 1, 1996)

±

NGT's share of incentive savings/additional costs(3)

=

NGT pipeline earnings

(1) Reflects an approximate 11.5% rate of return on 32% common equity and remains constant for the five-year term of the settlement.

(2) For 1996, the rate of return was negotiated at 11.5% on 32% common equity. For 1997 and subsequent years, the rate of return will be determined based on the formula similar to one used by the National Energy Board to set the rate of return of pipeline under its jurisdiction.

(3) This represents NGT's equal share of the variance between actual costs incurred and costs eligible to be recovered through transportation tolls in the year.

Factors that Influence NGI's Earnings

Gas marketing business

NGC and Novagas Clearinghouse Limited Partnership (NCL) are engaged in natural gas and natural gas liquids processing and energy marketing activities as well as the production and sale of natural gas liquids. Their profitability is affected by liquids processing margins and energy products trading margins. A portion of their trading activity involves entering into open positions in the liquids and natural gas market. Profits or losses on these positions are determined by the volatility of the price of liquids or natural gas. The companies have strict controls to monitor these trading activities and exposure so as to limit the downside risks that may occur.

International growth

NGI's future earnings will also be affected by its success in competing for new projects which can deliver appropriate rates of return.

Playing where we can win is a key strategy in NOVA Chemicals' quest to double its earnings over the next five to seven years.

NOVA Chemicals

NOVA Chemicals Outlook

The North American economy is growing steadily and economies in developing regions, particularly China, India and Asia, are expanding rapidly. Population growth and improved standards of living are fuelling the demand for petrochemicals products. But with this growth in demand comes increased competition, as additional petrochemicals capacity comes on stream in many parts of the world.

In the near term, NOVA Chemicals has a positive outlook for 1997. Price increases for most products have already been announced. In the long term, prices will fluctuate, however NOVA Chemicals is well positioned to

deliver relatively strong returns on capital invested in this competitive arena. We have implemented a strategy that is driven by a clear understanding of the nature of the commodity chemicals business. We play only where we can win – in a limited number of product areas for which there are significant cost advantages for us – and we manage operations to optimize results, regardless of the business cycle.

Growing the business

Consistent with our strategy of playing where we can win, we have aggressive plans for growth. The company announced in February 1996, plans to construct a 2.0 billion pounds-per-year ethylene unit at our Joffre, Alberta site. The unit will be jointly owned with Union Carbide Canada Inc. at an estimated total cost of $825 million. This unit is fully expandable to 2.8 billion pounds for modest incremental cost. The plant, currently known as EIII, is expected to begin production in the year 2000.

NOVA Chemicals acquired ARCO Chemical's plastics division in 1996. This move advanced NOVA Chemicals from fourth to second place in polystyrene production capacity in North America. The purchase has given us a leadership position in higher-end polystyrene markets, such as the automotive industry. We will work to improve our cost position in styrenics in two ways. First, we will leverage the synergies between our business and the newly acquired business (specifically the technology, sales and administration functions and the operations will be integrated and optimized). Second, we will upgrade our Styrene II facility in Ontario.

To gain access to new markets and a better foothold in one of the highest margin market areas, we established a North and South America joint venture with Borealis, the world's second largest polyethylene wire and cable-coating producer. This joint venture, completed in 1996, unites Borealis technology with our raw material position to produce highly competitive, value-added products.

Internationally, our growth strategy is to find a strong platform which meets all of the key points of our business strategy. Our prime focus is on locations where feedstocks are abundant, where there is the potential to construct large-scale facilities, where we can apply our technology and where there is good transportation access to markets.

Driving towards the lowest-cost position

A key to NOVA Chemicals achieving long-term growth and profitability across the full chemical cycle is establishing the lowest-cost position in the markets we serve. Many companies talk about being low-cost – NOVA Chemicals is focused on achieving this position. Today, each of our petrochemicals operations is either in a cost leadership position or is close to achieving parity with the industry leaders. Our largest business, polyethylene, has the lowest-cost position in North America for several reasons: large, efficient, well operated, low-cost ethylene feedstock from both Alberta and Ontario plants, and large polyethylene production facilities, particularly at Joffre, Alberta.

NOVA Chemicals intends to achieve the position of lowest-cost producer through a variety of other activities. With the implementation of a new integrated information system in 1996, we are positioned to capture the benefits that come from having faster access to higher quality data on sales, inventories and margin analysis. We also intend to create cost improvements by focusing on process and operational refinements, complemented by low-cost debottleneck expansions and superior process technology.

Margin enhancement as a result of recontracting our first ethylene plant (EI) third party sales contracts, the expiry of the royalties we currently pay on certain polyethylene production and other planned management actions are expected to total $100 million per year by the year 2000.

To maintain our feedstock advantage, NOVA Chemicals has secured fixed price contracts for the natural gas required to supply approximately 70% of the ethane feedstock requirements for Joffre for 1997 at prices comparable to 1996.

Aligning technology to build our business

Our technology efforts directly support existing businesses. Our investment in SCLAIRTECH technology and our subsequent Advanced SCLAIRTECH breakthrough will allow us to compete with resins made using metallocene catalysts.

Our initiatives in technology are aligned with our efforts to achieve a reasonable return at the bottom of the industry cycle and an outstanding return at the top.

Altogether, we believe these initiatives place us in a strong position of contributing to NOVA's objective of doubling our earnings over the next five to seven years. NOVA Chemicals has a clear plan which it believes will keep it profitable. Our goal is to be the low-cost producer, and to grow our business much more quickly than the industry grows.

NOVA Chemicals Highlights

(millions of dollars)	1996	1995	1994
Net income contribution			
NOVA-operated facilities	$ 200	$ 450	$ 158
Equity in earnings of Methanex	17	58	134
Methanex asset write-down	(32)	–	–
Gain on sale of Novalta Resources Inc.	–	–	120
	$ 185	$ 508	$ 412
Operating income			
Olefins and polyolefins	$ 414	$ 667	$ 330
Styrenics	17	147	24
Re-engineering, computer system development and other costs	(32)	(64)	(37)
	$ 399	$ 750	$ 317
Revenue			
Olefins and polyolefins	$ 2,578	$ 2,489	$ 2,221
Styrenics	586	690	554
Intra-segment eliminations	(121)	(125)	(77)
	$ 3,043	$ 3,054	$ 2,698
Capital expenditures	$ 257	$ 136	$ 204
Capital employed(1)	$ 1,996	$ 1,901	$ 2,098
Depreciation	$ 221	$ 202	$ 187

(1) Excludes investment in Methanex (1996 – $544 million; 1995 – $560 million; 1994 – $498 million.)

NOVA Chemicals' 1996 Earnings

NOVA Chemicals earned $217 million from ongoing operations in 1996, down $291 million from its best year ever in 1995. NOVA Chemicals' total earnings for the year were reduced by $32 million to $185 million as a result of a write-down in the value of Methanex's assets, which Methanex plans to make idle concurrent with the new capacity additions from the second (January 1997) and third (1999) Chile plants. The net income contribution from NOVA Chemicals' businesses – the olefins and polyolefins, and styrenics businesses – decreased as a result of lower selling prices for all products and higher crude oil feedstock costs in 1996. The contribution from Methanex's ongoing operations decreased $41 million or 71% as a result of lower methanol selling prices in 1996.

Fourth-largest North American ethylene producer

NOVA Chemicals is North America's fourth-largest producer of ethylene with a total annual production capacity of 4.9 billion pounds. NOVA Chemicals operates its ethylene business at sites located in Joffre, Alberta, and Corunna, Ontario.

The Joffre facility in Alberta is the second-largest ethylene production site in North America, with a production capacity of 3.4 billion pounds. Two ethylene plants operate on the Joffre site, both producing ethylene from natural-gas derived ethane. The Joffre facility is strategically located on the WCSB, one of the largest and least explored natural gas basins in North America. NOVA Chemicals has access to a large-scale, efficient ethane extraction, gathering and storage system to supply the ethylene plants. The feedstock source for these ethylene plants, natural gas, is very competitively priced.

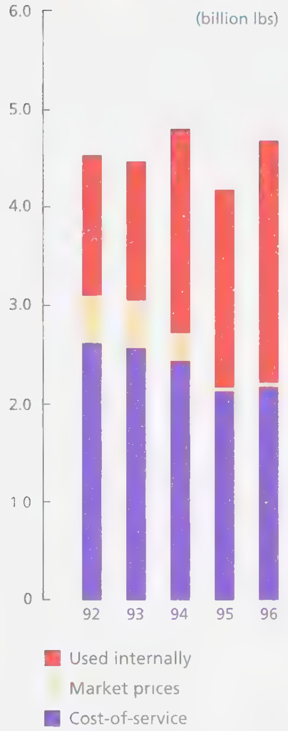
In Alberta, natural gas prices reflect an average transportation differential of approximately U.S. $0.55 per Mcf compared with U.S. Gulf Coast producers. This is the additional cost to producers of moving gas to markets outside of Alberta, such as Chicago. At times, this differential will increase to reflect the surplus gas available in Alberta. The above factors combine to make the Joffre site one of the lowest-cost ethylene production facilities in the world. During 1996, NOVA's Alberta ethylene cash cost position remained virtually

constant, in contrast with our U.S. Gulf Coast competitors, who experienced dramatic feedstock price increases in the third and fourth quarters of 1996.

NOVA Chemicals has ethane supply agreements with owners of natural gas liquids extraction plants located in Alberta. These ethane supply agreements expire on December 31, 1998 and June 30, 2004. NOVA Chemicals is engaged in negotiations with these existing ethane suppliers to renew the portion of its ethane supply portfolio which expires on December 31, 1998. These agreements provide the basis for substantially all of NOVA Chemicals' purchases of ethane extracted from the gas streams flowing through these plants. The quantity of ethane currently available under these agreements is sufficient to satisfy the feedstock requirements of EI and the second ethylene plant (EII). Any surplus ethane is currently sold to the Cochin Ethane Marketing joint venture in which NOVA Chemicals holds a 20% interest. Beyond 1998, ethane procured by NOVA Chemicals is expected to be more in line with its anticipated petrochemicals requirements. NOVA Chemicals owns interests in the Alberta ethane gathering system, and pipeline and storage facilities used to supply Joffre and to deliver some of Joffre's production.

The Joffre plants were financed through project financing secured by long-term, cost-of-service ethylene sales contracts with customers. These contracts cover approximately 67% of Joffre's production and allow

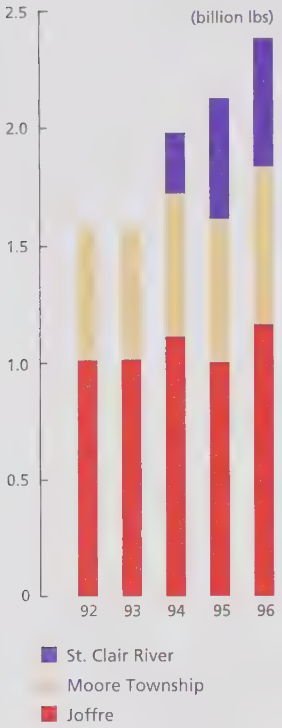
ethylene utilization[1]



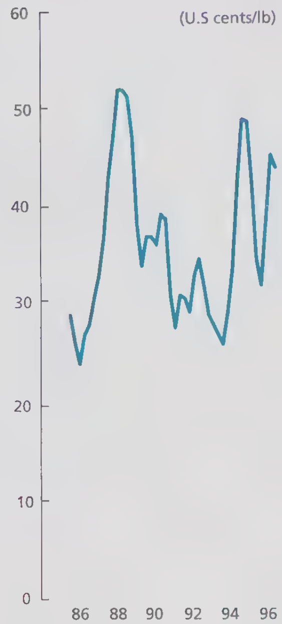
(1) Current year production net of changes in inventory levels.

This small group represents a team of over 100 employees who participated in the acquisition and subsequent smooth transition to NOVA of the ARCO Chemical Company's plastics division. The group is surrounded by expanded polystyrene foam, one of many end-products made from NOVA Chemicals' styrene resin.

polyethylene production



polyethylene linear low-density prices(1)



(1) Average benchmark prices on the U.S. Gulf Coast.

NOVA Chemicals, through pricing formulas, to recover two-thirds of the facilities' operating and financing costs plus a contractually based return on equity. The third party contracts insulate the underlying ethylene production from the price and margin fluctuations of the ethylene market. The third party contracts expire in December 1998 for EI and June 2004 for EII, at which time the original cost of the plants will be fully depreciated.

To the extent that ethylene volumes will not be used internally, NOVA Chemicals has entered into arrangements for the sale of the remaining EI production with a variety of market-based pricing mechanisms.

The Corunna plant, located near Sarnia, Ontario, has an annual production capacity of approximately 1.5 billion pounds of ethylene. The Corunna facility has the ability to produce ethylene from a wide range of raw hydrocarbon feedstocks and thereby produce a broad range of primary petrochemicals which are consumed by the downstream operations of NOVA Chemicals as well as other third party petrochemicals producers. The Corunna facility benefits from co-products production from the plant's crude oil processing operations which help to offset the cost of rising crude oil prices. Co-products produced include benzene (which is used by NOVA Chemicals in its styrene production chain), propylene and other energy products. Virtually all ethylene production from the Corunna facility is used internally by NOVA Chemicals.

Raw materials for the Corunna facility are obtained from a wide variety of sources. Crude oil, the main feedstock, is supplied predominately under contract from western Canadian crude oil producers.

Polyethylene pricing – key determinant to NOVA Chemicals' profitability

Polyethylene prices have the single largest impact on NOVA Chemicals' earnings. NOVA Chemicals is the sixth largest polyethylene producer in North America with a total annual capacity of 2.5 billion pounds. NOVA Chemicals' polyethylene business produces all three types of polyethylene: linear low-density, high-density and low-density. Production facilities are located at three sites in Canada: the Joffre facility in Alberta, and the Moore Township and St. Clair River sites located near Sarnia, Ontario.

The global demand for polyethylene is currently around 85 billion pounds per year. Economic forecasts show global demand growing to over 130 billion pounds by the year 2005. NOVA Chemicals' polyethylene production volumes in 1996 were up 12% from 1995 as a result of strong demand. NOVA Chemicals intends to manage its production growth to meet this forecasted demand through expansion while maintaining NOVA Chemicals' low-cost advantages. NOVA Chemicals' polyethylene production is fully back-integrated to ethylene.

NOVA Chemicals' Joffre site produces linear low-density polyethylene using Union Carbide's UNIPOL® gas phase process technology. Joffre's production was 1.1 billion pounds in 1996, an increase of 162 million pounds or 16% compared with 1995 production. The Moore Township site produces high-density polyethylene using a low-pressure gas phase process and low-density polyethylene using a high-pressure gas phase process. Production was 673 million pounds in 1996, an increase of 10% over 1995 production. The St. Clair River site produces linear low-density and high-density polyethylene using the SCLAIRTECH solution process. Production from the St. Clair River site for 1996 was 548 million pounds up 33 million pounds, from 1995.

NOVA Chemicals sells polyethylene worldwide with 83% of polyethylene sales made in North America. The next largest sales region is Asia.

Sales volumes increased 14% over 1995, reflecting strong polyethylene demand growth in 1996. However realized prices declined 14% when compared to 1995. Prices stabilized later in the fourth quarter of 1996. Strong market demand fuelled by the continuing expansion of the U.S. economy and higher feedstock costs should provide stable to stronger prices into late 1997. Two price increases have been announced for early 1997.

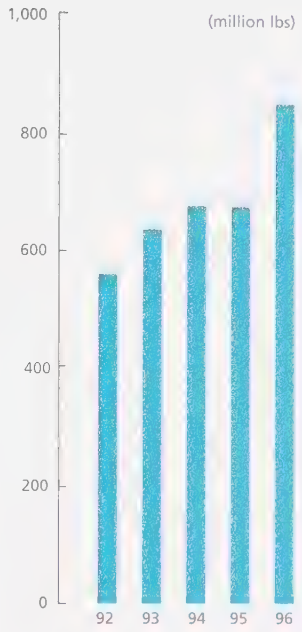
North American polyethylene capacity growth should be less than demand growth until early 1998 when projected capacity growth is expected to rise, which may put downward pressure on prices.

Styrene production leveraged with polystyrene

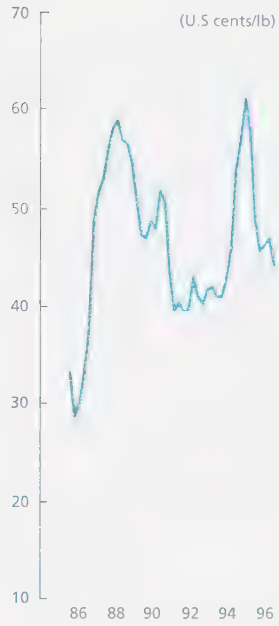
NOVA Chemicals combines its styrene and polystyrene operations into one business unit known as styrenics. Styrene and polystyrene are used in a number of applications including injection molding, synthetic rubber, food packaging, housewares and toys. The styrenics business' operating income fell $130 million to $17 million in 1996 compared with 1995. 1995 was a record year for styrenics, with styrene and polystyrene prices peaking in July 1995. The 1995 operating income of $147 million was six times the 1994 results of $24 million. United States and Asian demand growth fuelled the strong styrenics performance in 1995.

NOVA Chemicals produces or has access to approximately 1.4 billion pounds of styrene annually: 800 million pounds from two different arrangements with ARCO Chemical's Channelview facility in Texas, of which 400 million pounds was added with the ARCO Chemical polystyrene acquisition in 1996, and 600 million pounds from NOVA Chemicals' plant in Sarnia, Ontario. Styrene is produced from ethylene and benzene. All of the ethylene and the majority of the benzene requirements of the Sarnia styrene facility are supplied from NOVA Chemicals' Corunna ethylene facility. NOVA Chemicals ranks number eight in North America in terms of styrene production volumes. Approximately 75% of NOVA Chemicals' styrene production goes into the manufacture of polystyrene and the remainder is sold to third parties at prevailing market prices.

polystyrene production



polystyrene prices(1)



(1) Average benchmark prices on the U.S. Gulf Coast.

Styrene prices weaken in 1996

Styrene prices peaked for this cycle selling at U.S. $0.53 per pound in July 1995. Prices in the styrene market declined rapidly after the second quarter of 1995 as a result of reduced demand from Asian markets, particularly China. Styrene benchmark prices closed the year at U.S. $0.30 per pound. Styrene producers have announced price increases in early 1997. Styrene prices appear to be moving up worldwide on the back of rising feedstock costs. Our focus for the styrene business will be a further reduction of our cost position through styrene upgrade projects.

Polystyrene: production increases with ARCO acquisition

NOVA Chemicals produces crystal and solid polystyrene at its plant facilities at Decatur, Alabama; Indian Orchard, Massachusetts; Montreal, Quebec; and at a third party facility at Addyston, Ohio. Polystyrene produced from these facilities is used to produce food packaging, housewares and electrical components. The purchase of ARCO Chemical's plastics division has brought the DYLITE® expandable polystyrene (EPS) and DYLARK® engineering resins into the NOVA Chemicals polystyrene product mix. This moves NOVA Chemicals

Production

(millions of pounds)	1996	1995	1994
Ethylene	**4,690**	4,587	4,699
Ethylene co-products(1)	**3,684**	3,581	3,558
Polyethylene(2)			
Linear low-density	**1,436**	1,286	1,241
Low-density	**261**	238	223
High-density	**683**	600	512
	2,380	2,124	1,976
Styrene	**1,031**	948	900
Polystyrene(3)	**849**	674	675
Propylene	**710**	687	627
Polypropylene(4)	–	63	141

(1) Ethylene co-products include butadiene, butylene, C5, aromatics, and C9 resin oils.
(2) 1994 includes six months of production from the St.Clair River facility.
(3) 1996 includes three months of production from the plastics division acquired from ARCO.
(4) The polypropylene operation was sold on June 30, 1995.

NOVA Chemicals' Planned Growth

Project	Planned expansions (millions of lbs)	Forecasted in-service (Date)	Expected cost ($ millions)
Ethylene III expansion(1)	2,000	2000	825
Advanced SCLAIRTECH polyethylene expansion(2)	750	2000	350(2)
Styrene debottlenecking	350	1998	120
Polystyrene debottlenecking	250	1998/99	70

(1) Joint venture with Union Carbide, NOVA's portion is $412 million. Fully expandable to 2,800 million pounds.
(2) Subject to approval by NOVA Board.

into the realm of higher-margin specialty products for polystyrene. DYLARK resins are used in automotive instrument panels and DYLITE EPS is used in a wide variety of food service, packaging and construction applications. Demand for EPS in North America grew by over 10% in 1996, while demand for solid polystyrene grew by 4%. NOVA Chemicals will continue to add new capacity to the EPS and solid polystyrene business through low-cost debottlenecks which should significantly reduce polystyrene unit operating costs. Polystyrene is a recyclable polymer and NOVA Chemicals is involved in a variety of recycling initiatives.

Polystyrene prices trending down

Polystyrene prices also peaked for this cycle in the second quarter of 1995, reaching highs of U.S. $0.62 per pound. Prices fell to U.S. $0.46 per pound in the first quarter of 1996, then remained fairly stable throughout the remainder of 1996, closing the year at around U.S. $0.44 per pound. Sales volumes in 1996 were consistent with 1995 at 697 million pounds as compared with 689 million pounds. The ARCO Chemical acquisition (October 1996) resulted in an additional 109 million pounds in polystyrene sales volumes.

Production increases for styrenics

NOVA Chemicals intends to increase its styrene capacity by 25% (350 million pounds) through low-cost debottlenecking which will support further polystyrene debottlenecking of 250 million pounds. The debottlenecks will be timed to meet the increasing demand growth for polystyrene products.

NOVA Chemicals has a 25% ownership interest in the world's largest methanol producer

Methanex is a global leader in methanol production and marketing. Methanol, typically produced from natural gas, is a basic chemical building block used in the production of formaldehyde, methyl tertiary butyl ether, acetic acid and a variety of other chemical intermediaries and products. Through its extensive global marketing and distribution system, Methanex has become the largest supplier of methanol to each of the major international markets. With the addition of another world-scale methanol plant (Chile II) in January 1997, Methanex's total annual production capability is two billion gallons.

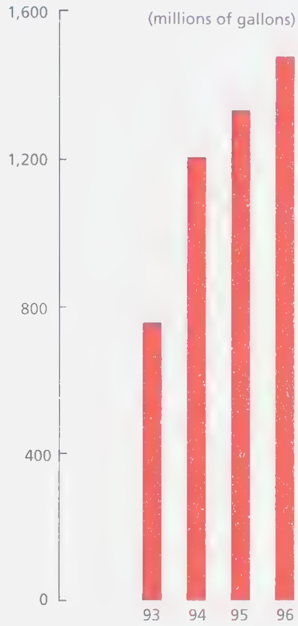
Methanol prices stabilize in 1996

NOVA Chemicals' share of Methanex's 1996 loss was $15 million compared with net income of $58 million in 1995. The decrease in earnings is a result of lower methanol prices and an accounting charge of $32 million to reduce the book value of certain assets. Methanex's average realized methanol price for 1996 was U.S. $0.45 per gallon compared with U.S. $0.67 per gallon in 1995 and U.S. $0.87 per gallon in 1994. The high margins in 1994 encouraged suppliers to produce at maximum capacity which shifted the balance to an excess of supply by early 1995. Towards the end of 1995, supply was in better balance with demand which supported industry operating rates in the 80% to 85% range. During the last half of 1996, continued strong demand and competitor and Methanex plant outages pushed methanol prices up to the U.S. $0.48 per-gallon range by December. Methanex sales volumes in 1996 were up 15% when compared with 1995.

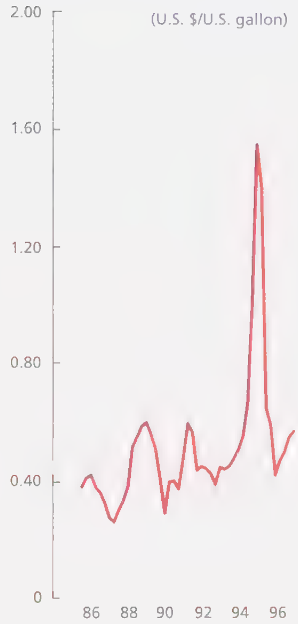
With the addition of Chile II, a leading edge low-cost production facility, Methanex decided to reduce capacity at its higher-cost facilities. As a result of this asset utilization decision, Methanex wrote down the carrying value of the facilities that will be made idle by $127 million.

Methanex's commitment is to develop low-cost capacity additions to further reduce Methanex's overall delivered cost to market.

Methanex methanol production

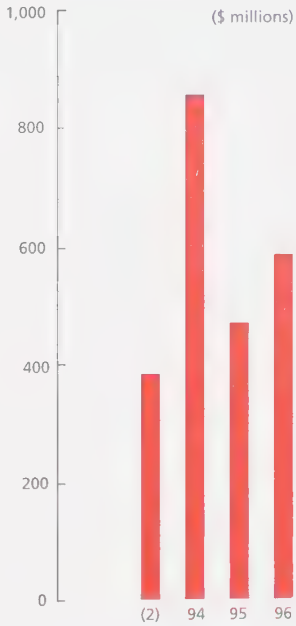


methanol prices(1)



(1) Average benchmark prices on the U.S. Gulf Coast.

market value(1) of investment in Methanex



(1) Based on TSE's closing price at December 31.

(2) Original investment (1993/94).

We work with our customers to provide low-cost, reliable transportation service, ensuring timely access to key markets.

NOVA Gas Transmission

NGT Outlook

The growth in demand for natural gas as the clean-burning, cost-efficient fuel of choice, is forecast to continue over the long term at annual rates of approximately 1.5% in the United States and 2.5% in Canada. NGT's role in meeting this demand is to provide proven transportation value to producers in Alberta. This facilitates the producers' response to demand growth and helps to make the Western Canada Sedimentary Basin (WCSB) the supply of choice for North American consumers of gas.

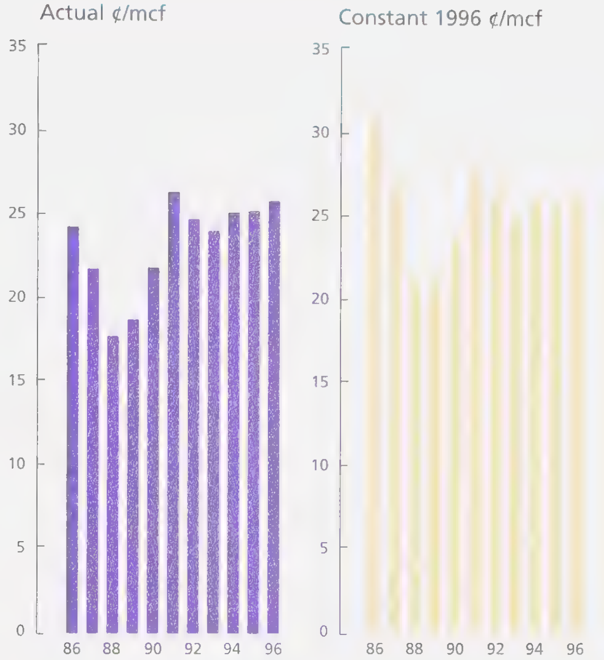
Providing low-cost, reliable transportation service

NGT has a proven ability to respond in a timely way to the needs of the market. In the last five years, we have invested more than $2.7 billion on behalf of our customers to increase the capacity of Alberta's infrastructure. As the primary natural gas gathering and transportation system in Alberta, the NGT system is both uniquely complex and highly cost-efficient. NGT has always met natural gas export requirements from Alberta, and we are well positioned to accommodate all future downstream expansions.

The 1996 average unit transportation rates were essentially flat when compared with those of the past five years, despite rapid system growth over the period and a steady increase in the average distance gas is transported. Because of economies of scale, technological advances, and efficient operating practices, we are the lowest-cost operator of natural gas transportation services in Alberta. And, we can add incremental capacity for less than any other potential competitor.

It is important that NGT continues to strengthen its competitiveness to help improve the competitiveness of Alberta-sourced natural gas. As our customers work to contain the overall costs of finding, developing and marketing western Canadian natural gas, NGT is committed to continuing to offer timely and reliable transportation services, priced more flexibly and provided at the lowest possible cost. During the past few years we have re-engineered our business and dramatically shortened the timetable to bring new production onto the system. In 1996, we entered into a new Cost-Efficiency Incentive Settlement with customers that will encourage further cost savings and benefit both customers and NGT.

overall pipeline system transportation rates



Meeting competition

During 1996, we were faced with the prospect of several alternative pipelines that would bypass the existing NGT system. The proponents believe that their proposed pipeline systems would be cheaper alternatives to the postage-stamp pricing system established in 1980 by policy of the Government of Alberta.

In December 1996, NOVA reached an agreement with PanCanadian, the lead shipper in the Palliser bypass pipeline proposal. The agreement, subject to EUB approval, provides a load-retention service at a rate of 15.5 cents per Mcf – a rate low enough to retain Palliser volumes on the NGT system and sufficiently high that the price increase to other NGT customers is less than one cent per Mcf. The consensus on the agreement resulted in a suspension of Palliser's bypass application to the NEB.

NGT will evaluate the merits and potential effects of other bypass proposals brought forward. Fundamentally, we believe we can move gas with less new capital and lower operating and financing costs than the proposed alternatives.

Responding to growing demand

For 1997, we plan to proceed with our expansions to connect to TCPL's announced 1997 expansion and Northern Border Pipeline Company's planned 1998 expansion programs, which total approximately one Bcf per day. In addition, NGT is designing and planning construction to meet up to another one Bcf per day of expansion by TCPL. In total, NGT is currently planning to spend approximately $500 million in 1997 and a further $450 million in 1998. The investment provides for ongoing system maintenance and will add new capacity to ensure that our customers can make full use of downstream expansions.

Based on firm contract commitments of up to one Bcf per day for the above-mentioned 1997/98 expansions, NGT has filed applications with the EUB in support of the required capacity additions to our system. In addition, we have announced a joint proposal with TCPL to consider one-stop customer access to combined transportation services on both systems. The one-stop service will streamline customer contracting, gas-flow management and billing activities.

NOVA Gas Transmission Highlights

(millions of dollars, except percentages and volumes)	1996	1995	1994
Net income	$ 181	$ 166	$ 143
Average investment base	$ 4,817	$ 4,674	$ 3,951
Common equity per cent of capital structure[1]	32 %	32 %	32 %
Realized return on common equity	11.75 %	11.10 %	11.31 %
Capital expenditures	$ 255	$ 584	$ 826
Depreciation	$ 182	$ 167	$ 167
Total delivered gas volumes[2]	4.4	4.3	4.1

(1) Prior to 1996, approved by the EUB for purposes of determining annual tolls. Beginning in 1996, established through negotiation with customers under the Cost-Efficiency Incentive Settlement, and approved by the EUB.
(2) Trillions of cubic feet.

NGT is fully prepared to meet the changing market realities of the future, in export capacity, in cost competitiveness, in tolling structure and in meeting all our customers' needs in a timely and efficient manner.

Pipeline Expansion and Cost-efficiency Drives Increased Earnings

NGT's 1996 earnings increased by $8 million as a result of incentive savings achieved in the first year of the settlement. These savings, combined with growth in the investment base which contributed $5 million in incremental earnings, resulted in a rate of return on equity for the pipeline business of 11.95%. Non-pipeline expenses in NGT reduced the overall realized return to 11.75%. This is higher than the 11.25% average rate of return that has been approved for peer pipelines in 1996. NGT's higher rate of return reflects reductions in operating costs and financing charges. Operating cost efficiencies were achieved through simplifying business processes, reducing staffing levels and outsourcing of certain functions. Savings in financing charges are a result of higher levels of lower-cost, short-term debt. Floating rate debt as a percentage of total debt has moved from less than 10% at the end of 1995 to approximately 21% at the end of 1996. The customers' share of these savings will be reflected in 1997 through lower transportation tolls.

The average investment base has grown by $1.7 billion in the past five years as annual capital expenditures continue to exceed annual depreciation. As NGT earns a return on new capacity additions to the pipeline system, a higher investment base results in higher earnings. For 1996, investment base growth increased earnings by $5 million. Capital expenditures of $255 million were substantially lower than the past two years and were lower than initial 1996 spending plans of $400 million. This primarily reflects the deferral of the planned Northern Border capital expansion to 1998. NGT anticipates capital spending in 1997 to be $500 million.

NGT transitions away from cost-of-service regulation

During 1996, a fundamental shift occurred in the way allowable costs were established for recovery by NGT through transportation tolls. The new approach includes incentives for cost-efficiency and reflects the rapid transition in customer relations and regulatory procedure that occurred during the previous two years.

Prior to 1995, customers transporting natural gas on the NGT pipeline system paid a toll based on the actual costs incurred by NGT. This tolling system was subject to review on a complaint basis. In 1995, NGT became regulated under the Gas Utilities Act (Alberta) in a manner similar to other regulated Canadian pipeline companies. NGT applied to the EUB to recover a specified amount of revenue. This revenue requirement was intended to be sufficient to cover NGT's budgeted operating costs and other expenses and to provide a reasonable return on the pipeline investment. For 1995, the rate of return approved by the EUB was 11.5% on a deemed common equity component of 32%.

In 1996, through the use of a collaborative process with customers and industry, NGT successfully negotiated a five-year Cost-Efficiency Incentive Settlement. This settlement (other than the Capital Efficiency Incentive Mechanism which is presently before the EUB) was approved by the EUB in December 1996

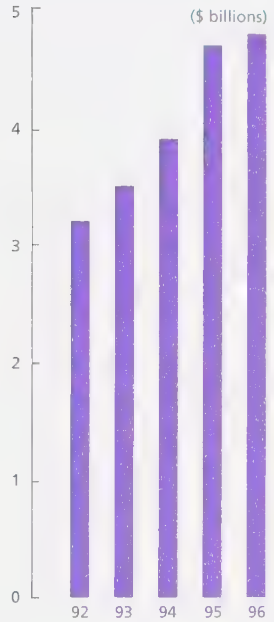
and will be the basis for setting transportation tolls through the year 2000. The settlement encourages the reduction of costs and the efficient use of the pipeline system as any savings will be shared equally between customers and shareholders.

NGT transports 4.4 trillion cubic feet of gas in 1996

In 1996, the 21,700-kilometre (13,500-mile) pipeline system transported a record 4.4 Tcf of natural gas – up 4% over 1995. This makes 1996 the tenth consecutive year in which a transportation volume record was set. NGT transports approximately 80% of natural gas produced annually in Canada and 18% of the natural gas produced annually in North America. This makes NGT the largest volume carrier of natural gas on the continent.

The pipeline system services the WCSB which contains an estimated 72 Tcf of conventional marketable natural gas reserves, equating to some 13 years of supply at 1996 production rates. Virtually all of Canada's natural gas production comes from the WCSB, and even though total Canadian gas production has doubled from 2.8 Tcf in 1987 to 5.6 Tcf in 1996, reserves in the WCSB have remained relatively constant.

growth of NGT's Alberta pipeline investment



Average investment base

This team worked with NGT customers during 1996 to negotiate a five-year Cost-Efficiency Incentive Settlement. The settlement provides incentive for NGT to continue to reduce operating and capital costs with savings shared between customers and shareholders.

NOVA Gas International's people are successfully building relationships in their target regions of the world to become a preferred partner in global gas development opportunities.

NOVA Gas International

NOVA Gas International Outlook

The deregulation of the natural gas and electrical industries in North America has created a convergence in the energy business. Today, NGI is no longer simply in the natural gas business. We are evolving into an energy solutions enterprise. In addition to transporting gas, we understand how to gather, process and market natural gas and natural gas liquids. And, because of our knowledge in all of these areas, we are able to take advantage of opportunities available along the natural gas value chain in the emerging North American power market.

In developing countries, there is a steadily increasing requirement for electrical power. For environmental reasons and an abundance of local supply, much of that power is expected to be fuelled by natural gas. Privatization of government-owned natural gas infrastructures and large foreign capital requirements to fund new infrastructures have opened the doors to foreign investors, particularly those with a proven international track record.

Competition to invest in these new international opportunities is tough, but NGI is a leading contender. We have more than 23 years of worldwide natural gas consulting experience, backed by over 40 years of NGT know-how in developing and operating a world-class, technologically advanced pipeline. We have strategic positions from which we can grow in North and South America and Southeast Asia, and we have proven skills in working with foreign governments and regulators.

To continue to win these opportunities, NGI's strategy is to focus its activities in five key regions: Canada; the United States; the Southern Cone of South America; Mexico; and the Asia-Pacific region. Once a presence is established outside North America, we build on it. We look for strong local partners who can add value to our investments by offering additional competencies, such as power generation. In addition, NGI is concentrating on upgrading its marketing skills and continuing to make strategic decisions that are timely and efficient.

Focusing on North America's energy market

We are well positioned in the North American energy market through our investment in NGC. As the leading gatherer, processor, transporter and marketer of energy products and services in North America, NGC Corporation (26% owned by NOVA) is THE ENERGY STORE. In the last three years, the value of NOVA's investment in NGC has more than tripled because of NGC's marketing prowess in natural gas and successful mergers with Trident NGL Holding, Inc. (Trident) and Chevron Corporation's natural gas marketing and gas liquids business. As the demand for integrated energy services continues to grow, NGC has the potential to become one of the leaders in electrical power marketing as well.

In Canada, NGC expects to expand THE ENERGY STORE marketing approach and grow the business to take advantage of opportunities in the Western Canada Sedimentary Basin. In October 1996, NGI and NGC announced plans to reorganize jointly owned NCL into three separate businesses. On completion of the reorganization, NGI will own 100% of the natural gas and natural gas liquids gathering and processing business and 100% of Pan-Alberta, a natural gas aggregator. NGC will own 100% of NCL's marketing business (other than Pan-Alberta) in Canada.

Growing in South America

In South America, NGI expects to complete the GasAndes pipeline from Argentina to Santiago, Chile, and to begin transporting natural gas by mid-1997. This is a major milestone for NGI. We have overcome aggressive competition and challenging geography to build a natural gas pipeline across the Andes Mountains, on time and on budget. We began to develop our winning formula in 1992 when we acquired an interest in TGN, one of Argentina's major natural gas transmission systems. By connecting to TGN, GasAndes was able to develop the shortest and most cost-effective route over the Andes. TGN is also ideally positioned to play a critical role in other pipeline projects in the Southern Cone, with the potential to move gas to the borders of Uruguay and Brazil in addition to Chile.

Examining opportunities in Mexico

We continue to look at business development opportunities in Mexico because of that country's abundant supply of natural gas and its need for new infrastructure. We completed one consulting project there in 1995 and have won another. This will allow us to continue building important relationships with PEMEX, Mexico's national oil and gas company.

Consulting and investing in the Asia-Pacific region

NGI's 14-year relationship with PETRONAS in Malaysia has led to management of projects worth over $4 billion through the joint venture company OGP Technical Services Sdn. Bhd. This has enhanced NGI's credibility in exporting gas services expertise worldwide, and fostered new opportunities for consulting and investment in other parts of Southeast Asia, including Thailand and Indonesia.

While there are many opportunities in our five target regions, NGI views all this potential with an eye to careful development. Low-cost efficiency is a key objective in both greenfield and existing operations.

A method of managing costs is to use consulting as one strategic tool to build relationships, to help to identify promising opportunities and to understand different cultures, regulations and markets. NGI's strong focus on target regions encourages us to establish a local presence, use local expertise and provide more specialized service to customers.

NOVA Gas International Highlights

(millions of dollars)	1996	1995	1994
Net income contribution			
Investment and consulting earnings(1)	$ 58	$ 51	$ 39
NGC Corporation	41	15	13
Business development, interest and other costs	(33)	(35)	(23)
	$ 66	$ 31	$ 29
Investments(1)	$ 1,039	$ 805	$ 611
Cash investments during the year	$ 234	$ 132	$ 370
Capital expenditures	$ 51	$ 39	$ 37
Depreciation	$ 28	$ 18	$ 15

(1) Includes investments in joint ventures.

NGI'S Earnings More than Double

NGI's 1996 net income contribution of $66 million is more than double the 1995 earnings of $31 million due mainly to the increased contribution from NGC. NGI is focused on developing the natural gas value chain. Through investments in North America and internationally, NGI is pursuing this goal. NGI's most significant North American investments are:

NGC Corporation

(26% owned; $418-million book value; $341-million original investment; $41-million earnings contribution)

With the completion of the merger with Chevron Corporation's natural gas gathering, processing and marketing operations on August 31, 1996, NGC became the largest gas and natural gas liquids marketer in North America.

NGC reported the most profitable year in its history in 1996. NGI's share of earnings from NGC of $41 million in 1996 is more than double the $15 million earned in 1995. NGC achieved higher operating margins as a result of the favorable prices realized for natural gas liquids and crude oil. The gas marketing segment also improved as a result of higher gas volumes. The stronger 1996 results of NGC reflect earnings benefits from the acquisition of Chevron Corporation's midstream natural gas and natural gas liquids business in 1996 and Trident in 1995. The market value of NOVA's investment in NGC shares at December 31, 1996, was $1,235 million (1995 – $445 million).

Novagas Clearinghouse Limited Partnership

(50% owned; $39-million investment; $5-million earnings contribution)

NCL continued to expand in 1996 with the addition of sour gas processing capacity at the Zama Lake facility in northwestern Alberta and the construction of a sweet gas gathering and processing system which services northeastern British Columbia. In addition, NCL purchased a 4.5-million-barrel natural gas liquids underground storage facility near Fort Saskatchewan, Alberta, as a first step in developing a gas liquids gathering, fractionation, and storage system which will service northwestern Alberta and northeastern British Columbia. NCL will continue to construct and acquire gas gathering systems and processing plants in 1997 as the company grows its midstream energy business.

Foothills Pipe Lines Ltd.

(50% owned; $144-million investment; $18-million earnings contribution)

Foothills operates a 927-kilometre (576-mile) pipeline system dedicated to shipping natural gas from Canada to the United States. Foothills transported 927 Bcf of natural gas to the border for transmission to the U.S. Midwest, Pacific Northwest and California. Foothills' earnings contribution has been stable over the past three years (1996 – $18 million; 1995 – $19 million; 1994 – $18 million). This stability is a result of modest rate base growth offset by changes to Foothills' after-tax return.

NGI's international focus

The earnings contribution from NGI's international activities remains modest but should show a rising trend as GasAndes and other international projects come on stream (1996 – $19 million; 1995 – $19 million; 1994 – $13 million).

NGI's most significant international investments are:

Chile: Gasoducto GasAndes S.A.
(56.5% owned; $180-million investment; 465-kilometre, 24-inch pipeline)

The GasAndes pipeline project from Argentina to Chile is on target to deliver gas to Santiago by mid-1997. The cost of the pipeline is anticipated to be $450 million. In addition to the investment in GasAndes, NGI owns 10% of Metrogas S.A., the Santiago gas distribution system ($33-million investment).

Chile: Sociedad Electrica Santiago S.A.
(15% owned; $15-million investment)

NGI owns 15% of a power generation facility being built in Santiago, Chile.

Argentina: Transportadora de Gas del Norte
(19% owned; $126-million investment, $13-million earnings contribution)

TGN is a 4,650-kilometre (2,900-mile) pipeline in northern Argentina. NGI increased its ownership in TGN from 14.4% to 19.1% in 1996. Earnings from the pipeline have been steadily increasing as the pipeline expands and additional capacity is added to the system. Earnings were $13 million in 1996, $12 million in 1995 and $9 million in 1994.

Argentina: Arcan Ingenieria Y Construcciones S.A. (ARCAN)
(51% ownership; $3-million investment, $1-million earnings contribution)

ARCAN is a joint-venture engineering firm providing consulting services to the natural gas industry in South America.

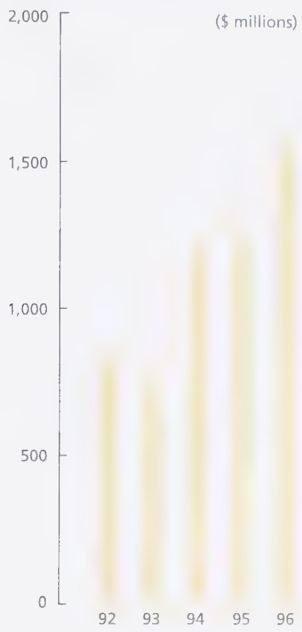
Australia: East Australian Pipeline Limited (EAPL)
(25.5% owned; $58-million investment, $6-million earnings contribution)

EAPL is a 1,935-kilometre (1,200-mile) pipeline that transports natural gas from the Moomba Field to Sydney, Australia. NGI acquired its interest in the pipeline in mid-1994.

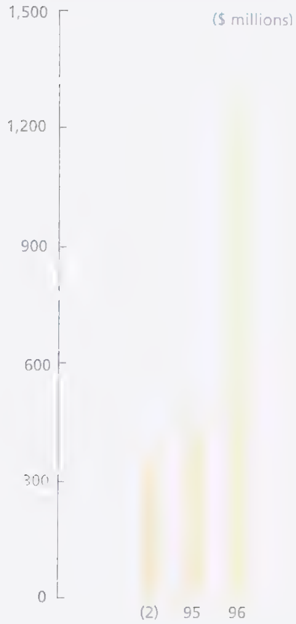
Malaysia: OGP Technical Services Sdn. Bhn.
(40% owned; $7-million investment, $2-million earnings contribution)

OGP was created in partnership with PETRONAS. OGP provides project management and engineering services in Asia.

growth in NGI assets



market value[1] of investment in NGC Corporation



(1) Based on NYSE closing share prices at December 31
(2) Original investment (1994/95).

The GasAndes pipeline project has been a major milestone in NGI's 23-year history of international project development and consultation. Pictured in Santiago is a group of GasAndes employees from Canada and Chile. They are responsible for the pipeline that will bring clean-burning fuel to Chile's most populated region.

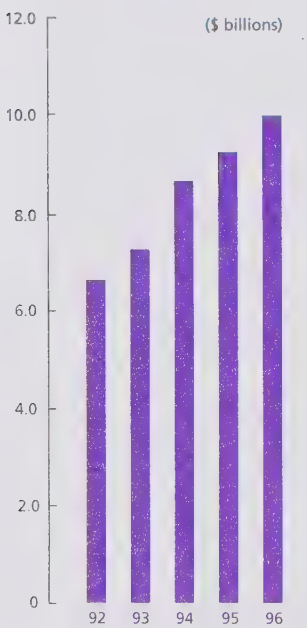
Liquidity and Capital

Cash Flow Highlights[1]

(sources (uses) of cash, millions of dollars)	1996	1995	1994
Funds from operations	$ **830**	$ 1,017	$ 736
Asset sales	**–**	87	323
Common shares issued (repurchased), net	**(194)**	19	525
Dividends	**(175)**	(153)	(113)
Investing activities[1]	**(787)**	(490)	(1,042)
Debt addition (reduction)[2]	**529**	(316)	(397)
Changes in non-cash working capital	$ **(308)**	$ 174	$ (34)
Increase (decrease) in cash	$ **(105)**	$ 338	$ (2)

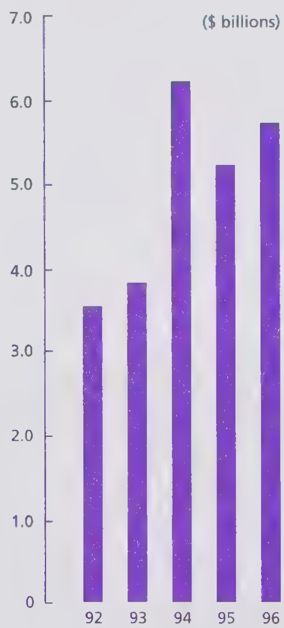
(1) Excludes asset sales and changes in non-cash working capital.
(2) Includes current bank loans.

growing the business[1]



(1) Assets

market capitalization[1]



(1) Based on NOVA's December 31 closing share prices on the TSE.

Funds from operations

NOVA generated $830 million of funds from operations during 1996, a decline of $187 million from 1995. This decrease in funds generated from operations is primarily attributable to the decline in earnings for all of NOVA Chemicals' commodity products.

During 1996, cash of $308 million was required for payment of NOVA Chemicals' 1995 income tax liability, NGT's refund to gas producers pursuant to the 1995 General Rate Application decision and other working capital requirements including the acquisition of the working capital related to the ARCO Chemical's plastics division.

Growing the business

On September 30, 1996, NOVA completed the purchase of ARCO Chemical's plastics division for $218 million including working capital. The business has a total annual rated capacity of 515 million pounds of polystyrene.

Construction of the 465-kilometre GasAndes natural gas pipeline between Argentina and Chile is on schedule for delivery of natural gas to Santiago, Chile, by mid-1997. As of December 31, 1996, construction was 95% complete in Argentina and 56% in Chile. The GasAndes pipeline is expected to cost $450 million of which $346 million has been spent to date. NOVA's share of expenditures to date is $196 million.

Capital expenditures for NGT were $255 million in 1996. NOVA financed approximately $82 million of this amount through its equity contribution to NGT. The remainder was financed by regulated debt.

Future capital requirements

NOVA's capital expenditures for 1997 are expected to be about $700 million (excluding NGT capital additions financed by regulated debt of $350 million). Capital expenditures are expected to be about $350 million for NOVA Chemicals, $200 million for NGI and $150 million for NOVA's equity contribution to NGT. NOVA has sufficient funds flow from operations and access to capital markets to finance these additions. If it chooses, NOVA also has the ability to draw down on its credit facilities which totalled $2.2 billion. At December 31, 1996, NOVA's unutilized contracted credit facilities were approximately $1 billion on a consolidated basis.

Capitalization[1]

December 31 (millions of dollars)	1996	%	1995	%	1994	%
Regulated[2]						
Long-term debt[3]	$ 3,774	67	$ 3,699	65	$ 3,545	67
Common equity	1,885	33	1,949	35	1,760	33
	$ 5,659		$ 5,648		$ 5,305	
Non-regulated						
Current bank loans[3]	$ –		$ –		$ 281	12
Long-term debt[3]	1,107	36	376	17	461	20
Common equity	1,990	64	1,865	83	1,572	68
	$ 3,097		$ 2,241		$ 2,314	

(1) Includes proportionately consolidated businesses.
(2) Includes NGT, Foothills and the ethylene cost-of-service operations.
(3) Includes current portion and is net of cash available for debt repayment.

NOVA Chemicals and NGT debt issues

In August 1996, NOVA Chemicals issued U.S. $275 million senior unsecured notes. The proceeds were used to fund NOVA Chemicals' ongoing capital expenditure program and provide a portion of the financing for the ARCO Chemical division acquisition. The debt issue increases NOVA's financing flexibility by decreasing the reliance on bank credit, matching long-term petrochemicals assets with comparable debt terms and positioning the company for growth opportunities.

NOVA Chemicals is currently in the process of re-financing EI and EII with unsecured debt. The refinancing is planned to be in place in the first half of 1997.

During the year, NGT issued U.S. $32.5 million of medium-term notes in the United States and $65 million of medium-term notes in Canada. Proceeds were used to repay bank loans and other debt incurred to finance expansion of the pipeline system.

NOVA increases use of financial leverage

NOVA's non-regulated debt as a percentage of NOVA's total non-regulated capitalization increased to 36% from 17% at December 31, 1995. This is a result of the capital requirements for projects such as the GasAndes pipeline, the ARCO Chemical's plastics division acquisition, restructuring the financing on the head office building and the share buyback program.

Share buyback and dividend increase

NOVA's normal course issuer bid to purchase up to 25 million of its common shares became effective March 8, 1996, and as of December 31, 1996, NOVA has bought back approximately 18.2 million common shares at a cost of $225 million. The issuer bid is expected to remain in effect until the earlier of March 1997 or until NOVA has purchased the 25 million shares. The share buyback program coupled with NOVA's quarterly dividend increase from eight cents to ten cents per common share reflect NOVA's continued strong financial performance and management's positive outlook for earnings and cash flow.

NOVA is cash taxable

NOVA is cash taxable in 1996 and anticipates being cash taxable in 1997 as well. Approximately $242 million of income taxes were paid in 1996 (1995 – $94 million; 1994 – $57 million). NOVA Chemicals comprises the largest component of these payments and this reflects the timing impact of instalments and a lower tax depreciation base which gives rise to lower deductions in calculating taxable income. This tax base will increase over the next few years with the planned expansion of our ethylene and polyethylene businesses.

Credit ratings

Unsecured Debt Securities[1] December 31, 1996

	NGT	NOVA Chemicals	NOVA
CBRS	A(Low)	B++(High)	A(Low)
DBRS	A(low)	BBB	BBB(high)
S&P	A-	BBB+	BBB+
Moody's	A3	Baa2	–

(1) Credit ratings are not recommendations to purchase, hold or sell securities and do not comment on market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future.

Restructuring to Improve SHER Delivery

NOVA's Safety, Health, Environment & Risk (SHER) management structure was reorganized in 1996, to improve efficiency and capture the benefits of an integrated effort across all NOVA businesses.

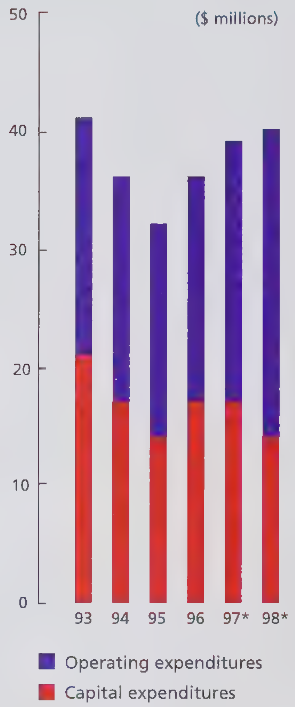
The new structure is led by a SHER Council of NOVA business vice presidents who propose policy and strategy for SHER issues. The SHER Council is supported by senior people from each NOVA business who participate on a SHER leadership team. The team pursues integration and leveraging opportunities and coordinates the activities of seven NOVA-wide SHER networks. The SHER networks are: Environmental Leadership; Safety Excellence; Occupational Health; Occupational Hygiene; Material Flow and Product Safety; Emergency Response; and SHER Services.

Responsible Care® Adopted NOVA-wide

NOVA has selected the chemical industry's Responsible Care program, as the basis for the management system that will enable SHER performance excellence and a common SHER culture to permeate the organization. A commitment to continuous improvement, rigorous documentation and auditing processes and proactive stakeholder consultation are integral to and underlie the ethic of Responsible Care. The program is designed to help companies reduce risk, prevent incidents and protect the environment. In addition to these important benefits, SHER excellence can yield many competitive advantages: reduced insurance costs, preferred capital rates, an improved regulatory environment and greater customer loyalty.

Approximately 30 SHER internal audits were completed throughout NOVA during 1996. An independent consulting firm evaluated the design and implementation of NOVA's internal SHER audit program as being consistent with prevailing audit practices and as having several characteristics among leading audit programs.

environmental expenses



* Estimated

SHER audits are used to verify regulatory compliance and conformance with internal standards and procedures, as well as to identify opportunities for improvement, areas of actual or potential risk and potential best practices. Results from audits in 1996 are leading to improvements in SHER management systems and performance.

NOVA will be reporting more fully on its 1996 SHER activities and performance in a stand-alone Responsible Care progress report which will be published in 1997. NOVA's first SHER report was published in 1995.

Six-year Review

(unaudited; millions of dollars, except share amounts, ratios and miscellaneous)		1996	1995	1994	1993	1992	1991
Operating Results							
Revenue	$	**4,686**	4,527	4,020	3,373	3,081	3,135
Operating income	$	**938**	1,227	785	558	559	431
Net income (loss)	$	**431**	702	575	191	152	(937)(1)
Total Assets	$	**10,048**	9,266	8,635	7,242	6,627	6,089
Capitalization							
Current bank loans(2) – non-regulated	$	**–**	–	281	403	222	262
Long-term debt(2) – regulated		**3,774**	3,699	3,545	3,193	2,827	2,656
– non-regulated		**1,107**	376	461	560	616	915
Shareholders' equity(3)		**3,875**	3,814	3,332	2,266	2,172	1,512
Total capitalization	$	**8,756**	7,889	7,619	6,422	5,837	5,345
Cash Flow Data							
Plant, property & equipment additions	$	**563**	759	1,067	813	572	680
Regulated debt additions		**(173)**	(397)	(545)	(339)	(288)	(258)
	$	**390**	362	522	474	284	422
Funds from operations	$	**830**	1,017	736	520	487	264
Net additions (repayments)							
– non-regulated debt	$	**731**	(366)	(221)	(125)	(339)	(125)
Net shares issued (repurchased)	$	**(194)**	19	525	22	568	205
Dividends	$	**175**	153	113	98	95	120
Data Per Share							
Net income (loss) – basic	$	**0.91**	1.47	1.24	0.47	0.39	(2.99)
– fully diluted	$	**0.91**	1.44	1.20	0.47	0.39	(2.99)
Dividends paid	$	**0.35**	0.30	0.24	0.24	0.24	0.45
Shareholders' equity at year-end(4)	$	**8.33**	7.95	6.97	5.38	5.17	4.45
Market price (TSE) – high	$	**13.55**	13.75	15.00	10.13	9.13	9.50
– low	$	**10.88**	9.50	9.13	8.38	6.88	6.38
– close	$	**12.15**	11.00	13.00	9.38	8.75	7.25
Ratios							
Return on average equity	%	**11.2**	19.6	20.5	8.6	8.3	*
Dividend payout of earnings	%	**40.7**	21.7	19.7	51.3	62.5	*
Dividend yield(5)	%	**2.9**	2.7	1.8	2.6	2.7	6.2
Price/earnings(5)		**13.4**	7.5	10.4	20.0	22.4	*
Long-term debt to equity		**1.3:1**	1.1:1	1.2:1	1.7:1	1.4:1	2.2:1
Funds flow coverage of financial charges(6)		**3.2**	3.7	3.2	2.2	2.3	1.7
Miscellaneous Data							
Shares outstanding – year-end (millions)		**465**	480	478	407	406	326
– average (millions)		**475**	479	464	407	388	313
Shareholders at year-end (thousands)		**32**	33	34	37	39	41
Employees at year-end (thousands)(7)		**6.2**	5.7	6.6	6.3	6.3	6.6

* Not applicable.
(1) Includes after-tax restructuring charge of $675 million and a loss from discontinued operations of $294 million.
(2) Net of cash available for debt repayment. Long-term debt includes current portion of debt.
(3) Includes convertible debentures and warrants.
(4) Calculation includes the effect from conversion of the convertible debentures and warrants.
(5) Calculated using year-end market prices.
(6) Funds from continuing operations before financial charges divided by total financial charges.
(7) Excludes employees of proportionately consolidated businesses and equity-held investments.

Consolidated Statement of Income and Reinvested Earnings

Year ended December 31 (millions of dollars, except for share data)	1996	1995	1994
Revenue	$ 4,686	$ 4,527	$ 4,020
Operating costs and expenses			
Operating expenses	3,317	2,913	2,865
Depreciation	431	387	370
	3,748	3,300	3,235
Operating income	938	1,227	785
Other income (deductions)			
Interest expense (Note 3)	(372)	(379)	(351)
Allowance for funds used during construction	6	18	18
Equity in earnings of affiliates (Note 4)	85	98	165
Other gains (losses) (Note 6)	(32)	(9)	142
General and corporate	(11)	(16)	(27)
	(324)	(288)	(53)
Income before income taxes	614	939	732
Income taxes (Note 7)	(183)	(237)	(157)
Net Income	431	702	575
Reinvested earnings, beginning of year (Note 21)	1,142	593	131
Excess paid over book value on shares repurchased (Note 15)	(126)	–	–
Less dividends	(175)	(153)	(113)
Reinvested earnings, end of year	$ 1,272	$ 1,142	$ 593
Average number of shares outstanding (millions)	475	479	464
Net income per share			
Basic	$ 0.91	$ 1.47	$ 1.24
Fully diluted	$ 0.91	$ 1.44	$ 1.20

In 1992, pursuant to a resolution of its shareholders, NOVA reduced the stated share capital by $483 million in order to eliminate the deficit as at December 31, 1991. In 1987, pursuant to a resolution of its Board of Directors and in conjunction with the reorganization of its share capital, NOVA transferred the balance in the contributed surplus account of $227 million to reinvested earnings.

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

December 31 (millions of dollars)	1996	1995	1994
Assets			
Current assets			
Cash and cash equivalents	$ 253	$ 358	$ 20
Receivables (Note 8)	667	538	681
Inventories (Note 9)	444	301	299
	1,364	1,197	1,000
Investments and other assets (Notes 4 and 21)	1,649	1,192	1,017
Plant, property and equipment, net (Note 10)	7,035	6,877	6,618
	$ 10,048	$ 9,266	$ 8,635
Liabilities and Shareholders' Equity			
Current liabilities			
Bank loans (Note 11)	$ 94	$ 11	$ 301
Accounts payable and accrued liabilities (Note 12)	682	728	671
Long-term debt installments due within one year (Note 13)	151	115	194
	927	854	1,166
Long-term debt (Note 13)			
Regulated businesses	3,625	3,585	3,420
Non-regulated businesses	1,227	676	392
	4,852	4,261	3,812
Deferred credits (Note 14)	394	337	325
Shareholders' equity			
Shares and warrants (Note 15)	2,571	2,641	2,622
Cumulative translation adjustment (Note 16)	32	31	117
Reinvested earnings (Note 21)	1,272	1,142	593
	3,875	3,814	3,332
Contingencies and commitments (Notes 13 and 19)			
	$ 10,048	$ 9,266	$ 8,635

See accompanying notes to consolidated financial statements.

On behalf of the board:

J. E. (Ted) Newall, O.C.
Director

H.N. Hotchkiss,
Director

Consolidated Statement of Cash Flows

Year ended December 31 (millions of dollars)	1996	1995	1994
Operating Activities			
Net income	$ 431	$ 702	$ 575
Depreciation	431	387	370
Deferred income taxes	10	29	106
Equity in earnings of affiliates	(85)	(98)	(165)
Other (gains) losses	32	9	(142)
Other	11	(12)	(8)
Funds from operations	830	1,017	736
Changes in non-cash working capital (Note 17)	(306)	181	(52)
Cash from operations	524	1,198	684
Investing Activities (Note 17)			
Plant, property and equipment additions	(563)	(759)	(1,067)
Less long-term debt additions related to regulated businesses	173	397	545
	(390)	(362)	(522)
Proceeds on sale of assets (Note 6)	–	87	323
Long-term investments and other assets (Note 17)	(426)	(143)	(624)
Assets exchanged for Methanex common shares	–	–	104
Cash received from long-term investments	29	15	–
Changes in non-cash working capital (Note 17)	(3)	(15)	15
	(790)	(418)	(704)
Financing Activities (Note 17)			
Common shares issued	31	19	675
Common shares repurchased	(225)	–	–
Conversion of convertible debentures	–	–	(150)
Long-term debt additions related to non-regulated businesses	644	666	393
Long-term debt repaid	(198)	(692)	(688)
Dividends	(175)	(153)	(113)
Changes in current bank loans	83	(290)	(102)
Changes in non-cash working capital (Note 17)	1	8	3
	161	(442)	18
Increase (decrease) in cash and cash equivalents	(105)	338	(2)
Cash and cash equivalents, beginning of year	358	20	22
Cash and cash equivalents, end of year	$ 253	$ 358	$ 20

See accompanying notes to consolidated financial statements.

1. Segmented Information

NOVA Corporation (NOVA) is a natural gas services and petrochemicals company. NOVA's operations are managed in three business units:

NOVA Chemicals, production and marketing of various petrochemicals products.

NOVA Gas Transmission, the regulated natural gas pipeline transmission system in Alberta, Canada.

NOVA Gas International, NOVA's other natural gas transportation, processing and marketing activities.

(a) Financial information by business unit

December 31 and for the year ended		NOVA Chemicals			NOVA Gas Transmission			NOVA Gas International		
(millions of dollars)		**1996**	1995	1994	**1996**	1995	1994	**1996**	1995	1994
Income Statement(1)										
Revenue	$	**3,043**	3,054	2,698	**1,155**	1,072	1,015	**488**	401	307
Operating expenses		**(2,423)**	(2,102)	(2,194)	**(443)**	(451)	(414)	**(453)**	(360)	(258)
Depreciation		**(221)**	(202)	(187)	**(182)**	(167)	(167)	**(28)**	(18)	(15)
Operating income		**399**	750	317	**530**	454	434	**7**	23	34
Interest expense		**(59)**	(51)	(58)	**(304)**	(297)	(239)	**(17)**	(43)	(49)
Equity in earning of affiliates		**17**	58	135	**–**	–	–	**68**	40	30
Other		**(31)**	(12)	118	**5**	23	9	**2**	–	21
Income taxes		**(141)**	(237)	(100)	**(50)**	(14)	(61)	**6**	11	(7)
Net income	$	**185**	508	412	**181**	166	143	**66**	31	29
Balance Sheet(1)										
Current assets	$	**994**	866	558	**154**	130	152	**201**	186	284
Investments & other		**581**	577	524	**53**	27	25	**856**	588	463
PP&E(2)		**1,699**	1,643	1,819	**4,795**	4,719	4,295	**513**	488	477
	$	**3,274**	3,086	2,901	**5,002**	4,876	4,472	**1,570**	1,262	1,224
Current liabilities	$	**462**	487	722	**199**	199	185	**220**	118	215
Long-term debt										
Regulated		**141**	194	239	**3,248**	3,137	2,918	**236**	254	263
Non-regulated		**885**	503	255	**–**	–	–	**180**	173	137
Deferred credits (debits)		**343**	309	279	**14**	(40)	(36)	**43**	60	72
Total liabilities		**1,831**	1,493	1,495	**3,461**	3,296	3,067	**679**	605	687
Net investment		**1,443**	1,593	1,406	**1,541**	1,580	1,405	**891**	657	537
	$	**3,274**	3,086	2,901	**5,002**	4,876	4,472	**1,570**	1,262	1,224
Cash Flow(1)										
Operating activities	$	**200**	830	402	**318**	365	345	**(5)**	(9)	(30)
Investing activities										
PP&E additions		**(257)**	(136)	(204)	**(255)**	(584)	(826)	**(51)**	(39)	(37)
Financed by regulated debt		**–**	–	–	**173**	397	545	**–**	–	–
		(257)	(136)	(204)	**(82)**	(187)	(281)	**(51)**	(39)	(37)
Other		**(54)**	40	139	**(16)**	(15)	19	**(195)**	(81)	(339)
Cash flow before non-regulated debt and equity financing activities	$	**(111)**	734	337	**220**	163	83	**(251)**	(129)	(406)

(1) Amounts are net of inter-company eliminations and exclude corporate and other items.
(2) Plant, property and equipment.

(b) Financial information by geographic area

Year ended December 31 (millions of dollars)	1996	1995	1994
Revenue			
Canada	$ 3,145	$ 2,874	$ 2,903
United States	1,107	1,287	946
Other	434	366	171
	$ 4,686	$ 4,527	$ 4,020
Export sales from Canadian operations			
United States	$ 693	$ 983	$ 802
Other	162	168	77
	$ 855	$ 1,151	$ 879
Operating income (loss)(1)			
Canada	$ 849	$ 1,189	$ 793
United States	69	38	(8)
Other	20	–	–
	$ 938	$ 1,227	$ 785
Equity in earnings of affiliates(1)			
Canada	$ 25	$ 21	$ 57
United States	41	21	38
Other	19	56	70
	$ 85	$ 98	$ 165
Assets(1)			
Canada	$ 8,603	$ 8,427	$ 7,752
United States	931	623	706
Other	514	216	177
	$ 10,048	$ 9,266	$ 8,635

(1) Based on location of operating facilities

2. Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of NOVA Corporation, its subsidiaries, and its proportionate share of the accounts of its joint ventures. They have been prepared by management on the historical cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards. These accounting principles are different in some respects from those generally accepted in the United States and the significant differences are described in Note 22, "United States Accounting Principles." Preparation of these consolidated statements requires estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates. All amounts are reported in Canadian dollars unless otherwise indicated.

Regulated activities

Most of NOVA's natural gas transmission activities are regulated by various authorities including the EUB for the NOVA Gas Transmission pipeline system, the National Energy Board (of Canada) for the Foothills Pipe Lines system, and other foreign authorities for some of NOVA's international pipeline investments. These regulators exercise authority over various matters including accounting practices and toll setting. A portion of NOVA's Alberta ethylene petrochemicals business is regulated in a similar manner through contractual agreements with customers.

The billing system for regulated operations provides NOVA with revenues sufficient to recover all reasonable and necessary expenses of providing the services or products and provide a reasonable return on investment. In order to achieve proper matching of revenues and expenses certain items may be recognized in different periods than would be expected under generally accepted accounting principles for non-regulated activities.

Cash and cash equivalents

NOVA's short-term investments are considered to be cash equivalents and are recorded at cost, which approximates current market value.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis with no allocation of fixed production overhead.

Joint ventures

NOVA applies the proportionate consolidation method of accounting for its investments in joint venture operations. A joint venture is an economic activity in which NOVA and its co-venturers have agreed to jointly share, on a continuing basis, the power to determine the venture's strategic operating, investing and financing policies. Under the proportionate consolidation method, NOVA records, on a line-by-line basis within its financial statements and notes, its pro-rata share of the joint venture's assets, liabilities, revenues, expenses and cash flows.

Investments

Investments in affiliates in which NOVA exercises significant influence, but not control, are accounted for by the equity method. Under this method, the investment is carried at cost plus the related share of undistributed earnings. Other investments are carried at cost.

Plant, property and equipment (PP&E)

NOVA's PP&E consists primarily of pipe, compressor stations and meter stations for transporting natural gas and manufacturing equipment, land, and buildings for producing petrochemicals. PP&E is carried at cost and financing costs incurred during major construction are capitalized as part of the cost of the asset. Future removal and site restoration costs are provided for on a straight-line basis over the expected remaining economic lives of the assets when the costs can be reasonably determined.

Depreciation

Plant and equipment are depreciated on the straight-line basis at annual rates varying from 2% to 33%. These rates are designed to write these assets off over their estimated useful lives.

Allowance for funds used during construction (AFUDC)

For regulated businesses, a return on capital invested in new facilities under construction is recoverable from customers and is included in income.

Income taxes

Regulated activities operate under billing structures that allow NOVA to recover related income tax costs from customers based on the taxes payable method. NOVA records income tax expenses on these operations equal to the recoverable amounts. For non-regulated operations, the deferral method of tax allocation accounting is followed.

Pension plans

The cost of pension benefits earned by employees is determined using the projected benefit method pro-rated on services and is expensed as the employees provide services. It reflects management's best estimates of the expected investment yields, salary escalation, mortality rates, terminations and members' retirement ages. Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lives of the employee groups. The adjusted market value of pension plan assets is determined based on a four-year moving average of pension plan asset market values.

Post-retirement benefits other than pensions

NOVA provides medical care and life insurance benefits to eligible retirees and their dependants. Post-retirement benefit costs are accrued during employment.

Foreign currency translation

NOVA's foreign operations are considered self-sustaining and are translated into Canadian dollars using the current rate method. Resulting translation gains or losses are deferred in a separate component of shareholders' equity titled "Cumulative translation adjustment," until there is a realized reduction of the investment in the foreign operation.

Foreign denominated long-term monetary items, principally long-term debt, are translated at the current rate of exchange. For regulated operations, the exchange differential is deferred as it will be recoverable from customers. For non-regulated operations, the unrealized translation gains or losses are deferred and amortized over the remaining lives of the related items.

Hedging activity

NOVA enters into forward contracts and options to reduce its exposure to changes in commodity prices or foreign exchange rates. Gains or losses on the hedging instruments are recognized when the hedged transactions occur. They offset the effects of changes in commodity purchase prices or foreign exchange gains or losses on foreign cash flow.

NOVA also enters into interest rate swap agreements to manage interest rate risk. The differential to be paid or received is accrued as interest rates change and is recognized over the lives of the agreements.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation. To conform to a new Canadian Institute of Chartered Accountants pronouncement regarding financial instruments, NOVA has reclassified preferred shares issued by a subsidiary company in the amount of $100 million previously shown as minority interest to regulated long-term debt at December 31, 1994. Related dividends of $8 million for the 1994 year have been reclassified as interest expense.

3. Interest Expense

Year ended December 31 (millions of dollars)	1996	1995	1994
Interest on long-term debt	$ 369	$ 369	$ 312
Interest on current obligations	19	20	29
Interest on convertible debentures	–	–	6
Dividend on preferred shares of subsidiary	–	–	8
Interest income	(16)	(10)	(4)
	$ 372	$ 379	$ 351

4. Investments and Other Assets

Investments are accounted for using the equity method.

December 31 (millions of dollars)	1996		1995		1994	
	Investment	**Equity in earnings of affiliates**	Investment	Equity in earnings of affiliates	Investment	Equity in earnings of affiliates
NOVA Gas International investments						
NGC Corporation	**$ 418**	**$ 41**	$ 373	$ 15	$ 279	$ 13
Other	**438**	**27**	215	25	182	17
	856	**68**	588	40	461	30
Petrochemicals investments						
Methanex Corporation	**544**	**17**(1)	560	58	498	134
Other	**15**	**–**	11	–	22	1
	559	**17**	571	58	520	135
Other assets	**234**		33	–	36	–
	$ 1,649	**$ 85**	$ 1,192	$ 98	$ 1,017	$ 165

(1) Excludes NOVA's $32-million share of Methanex asset write-down (see Note 6).

Dividends and distributions received from affiliated companies were $29 million (1995 – $15 million, 1994 – $nil).

a) NOVA Gas International investments

NGC Corporation

During 1994, NOVA acquired a 39.1% interest in Natural Gas Clearinghouse, a U.S. gas services partnership with investments in gas marketing, gathering and processing facilities. In March 1995, Natural Gas Clearinghouse combined with Trident NGL Holding, Inc. resulting in NOVA having a 33.3% interest in the new company, NGC Corporation (see Note 17 (c)). This interest was subsequently increased to 35% in February 1996, pursuant to contingent stock rights issued in connection with the Trident NGL Holding, Inc. transaction. In August 1996, NGC completed the merger with Chevron Corporation's natural gas gathering, processing and marketing operations which resulted in NOVA's ownership decreasing to 25.8%.

The market value of NOVA's investment in NGC's shares at December 31, 1996, was approximately $1,235 million (1995 – $445 million).

The following is summarized financial information for NGC:

(millions of dollars)(1)	1996	1995	1994
Year ended December 31			
Revenue	**$ 9,904**	$ 5,059	$ 4,521
Operating expenses and depreciation	**$ 9,498**	$ 4,947	$ 4,394
Net income(2)	**$ 155**	$ 64	$ 59
December 31			
Current assets	**$ 2,653**	$ 1,041	$ 628
Property, plant and equipment and other assets(2)	**3,023**	1,491	278
Current liabilities	**(2,112)**	(963)	(570)
Long-term liabilities	**(2,093)**	(879)	(123)
Shareholders' equity(2)	**$ 1,471**	$ 690	$ 213

(1) NGC accounts for its operations in U.S. dollars. As NGC's operations are self-sustaining they are translated into Canadian dollars using the current rate method.

(2) These accounts have been adjusted to conform with Canadian accounting principles.

Other NOVA Gas International investments

Other investments as of December 31, 1996 include: a 50% interest in Pan-Alberta Resources Inc., which owns a 50% interest in a natural gas liquids extraction plant in Alberta (December 31, 1995 and 1994 – 50%); a 27.3% interest in GasInvest S.A., which owns 70% of the northern segment of Argentina's natural gas pipeline system, TGN (December 31, 1995 – 20.6% and 1994 – 16.6%); a 25% interest in the Moomba-Sydney pipeline in Australia (December 31, 1995 and 1994 – 25%); a 40% interest in a Malaysian-based partnership providing project management and engineering services in Asia (December 31, 1995 and 1994 – 40%); and a 56.5% interest in the GasAndes pipeline project in Chile (December 31, 1995 – 56.5%).

(b) Petrochemical investments

Methanex Corporation

NOVA owns 24.8% of Methanex Corporation as at December 31, 1996 (December 31, 1995 – 24.8% and 1994 – 24.1%) (see Note 17(c)). Methanex produces and markets chemical grade methanol and synthetic gasoline. The market value of NOVA's investment in Methanex shares at December 31, 1996 was approximately $585 million (1995 – $469 million and 1994 – $857 million). The following is summarized financial information for Methanex.

(millions of dollars)(1)	1996	1995	1994
Year ended December 31			
Revenue	$ 1,290	$ 1,715	$ 2,030
Operating expenses and depreciation	$ 1,157	$ 1,299	$ 1,298
Net income (loss)(2)	$ (11)	$ 275	$ 604
December 31			
Current assets	$ 916	$ 850	$ 915
Property, plant and equipment and other assets	1,509	1,573	1,453
Current liabilities	(177)	(191)	(338)
Long-term liabilities	(726)	(676)	(616)
Shareholders' equity	$ 1,522	$ 1,556	$ 1,414

(1) Methanex accounts for its operations in U.S. dollars. As Methanex's operations are self-sustaining they are translated into Canadian dollars using the current rate method.
(2) This 1996 net loss includes a $127 million after-tax write-down of plant carrying values.

(c) Other assets

Other assets are mainly composed of deferred debt issue costs which are being amortized over the terms of the related debt instruments and a mortgage on the head office building in the amount of $158 million bearing interest at 10.59%.

(d) Purchase price excess

The cost of certain investments exceeded NOVA's share of their underlying net book values at their acquisition dates. At December 31, the unamortized purchase price excesses were as follows:

December 31 (millions of dollars)	1996	1995	1994
NGC Corporation(1)	$ 52	$ 109	$ 195
Methanex Corporation(2)	$ 167	$ 179	$ 174

(1) The purchase price excess is allocated to goodwill and is amortized over 20 years.
(2) The purchase price excess is allocated to plant, property and equipment and is amortized over 20 years.

5. Joint Ventures

NOVA uses the proportionate consolidation method to account for its investments in joint ventures.

Foothills Pipe Lines Ltd.

Foothills is responsible for planning, constructing and operating the Canadian segment of the Alaska Natural Gas Transportation System. It is jointly controlled by NOVA and Westcoast Energy Inc. NOVA's ownership in Foothills at December 31, 1996, 1995 and 1994 was 50%. At these dates, NOVA also had a 49% direct ownership interest in Foothills Pipe Lines (Alta.) Ltd., a subsidiary of Foothills. During 1996, Foothills recorded $82 million of revenue from NGT for natural gas transportation services incurred in the ordinary course of business (1995 – $84 million, 1994 – $74 million). These transactions were recorded at fair value.

Novagas Clearinghouse Limited Partnership

NCL is a Canadian natural gas services joint-venture enterprise that was established in 1994 and is jointly controlled by NOVA and its affiliate, NGC. NCL has investments in gas marketing, gathering and processing facilities. NOVA's direct ownership in NCL at December 31, 1996, 1995 and 1994 was 50.01%. During 1996, NGT billed NCL $139 million for natural gas transportation services incurred in the ordinary course of business (1995 – $127 million). These transactions were recorded at fair value.

Other petrochemicals joint ventures

Other joint ventures as at December 31, 1996, 1995 and 1994 include a 20% interest in the Cochin pipeline, which transports ethane, ethylene and other products from Alberta to markets in Ontario and the United States; a 50% interest in the Fort Saskatchewan Ethylene Storage Limited Partnership; a 33.3% interest in an ethane gathering system in Alberta; and a 50% interest in the Catalytic Distillation Technologies Partnership which develops and sells technology, principally to the refining industry, and is located in Texas.

The following is summarized, combined financial information relating to NOVA's proportionate interest in joint ventures unadjusted for transactions between the joint venture and related NOVA parties.

Proportionate share of joint ventures' financial information

(millions of dollars)	1996	1995	1994
Year ended December 31			
Revenue	$ 566	$ 481	$ 354
Operating expenses and depreciation	$ 502	$ 411	$ 279
Net income	$ 41	$ 38	$ 41
Cash flows from:			
Operating activities	$ 93	$ 34	$ 57
Investing activities	$ (75)	$ (48)	$ (49)
Financing activities	$ (13)	$ 23	$ 2
December 31			
Current assets	$ 134	$ 151	$ 77
Property, plant and equipment	528	510	497
Investments and other assets	15	17	6
Current liabilities	(134)	(98)	(63)
Long-term debt	(273)	(276)	(263)
Deferred credits	(55)	(65)	(61)
Shareholders' equity	$ 215	$ 239	$ 193

6. Other Gains (Losses)

(millions of dollars)	Gain (loss) on sale before tax	Gain (loss) on sale after tax	Proceeds
Year ended December 31, 1996			
Methanex asset write-down(1)	$ (32)	$ (32)	$ –
Year ended December 31, 1995			
Sale of polypropylene business(2)	$ (48)	$ (31)	$ 60
Sale of 50% interest in Pan-Alberta Gas Ltd.	–	–	19
Foreign exchange gain on dividends received from subsidiary	40	42	–
Other(3)	(1)	(1)	8
	$ (9)	$ 10	$ 87
Year ended December 31, 1994			
Sale of 50% interest in TQM Pipeline Partnership	$ 20	$ –	$ 52
Sale of Novalta Resources Inc.	120	120	265
Other	2	1	6
	$ 142	$ 121	$ 323

(1) NOVA's share of Methanex asset write-down to reduce book value of plants to be idled.
(2) The before tax loss is net of a $5 million gain on the realization of cumulative translation adjustment.
(3) Includes the sale of NOVA's 42% interest in Shincor Silicones, Inc.

7. Income Taxes

Income tax expense varies from amounts computed by applying the Canadian federal and provincial statutory income tax rates to income before income taxes as shown in the following table:

Year ended December 31 (millions of dollars)	1996	1995	1994
Statutory income tax rate	44.6%	44.6%	44.3%
Income before income taxes	$ 614	$ 939	$ 732
Computed income tax expense	$ 274	$ 419	$ 324
Increase (decrease) in taxes resulting from:			
Lower effective foreign tax rates	(21)	(29)	(16)
Non-provision of deferred income taxes on regulated operations(1)	(38)	(29)	(25)
Refund of previously collected deferred taxes of regulated business	(10)	(21)	–
Manufacturing and processing deduction	(19)	(48)	(21)
Non-taxable equity in earnings of affiliates	(23)	(39)	(68)
Non-taxable AFUDC	(3)	(8)	(8)
Non-taxable portion of gains on sale of assets	–	(5)	(42)
Other	23	(3)	13
Income tax expense(2)	$ 183	$ 237	$ 157
Current income taxes	$ 173	$ 208	$ 51
Deferred income taxes(3)	10	29	106
Income tax expense	$ 183	$ 237	$ 157

(1) NOVA's regulated operations recover income tax costs from customers. NOVA records income tax expense on these operations equal to the recoverable amounts and therefore, there is no effect on net income. In most cases, the recoverable amount is limited to current taxes payable. Accordingly, the provision for income taxes excludes deferred income tax expense relating to these operations. Cumulative unrecorded deferred income taxes payable amounted to $529 million at December 31, 1996 (1995 – $481 million, 1994 – $431 million).
(2) The effective income tax rate for non-regulated businesses (excluding equity in earnings of affiliates and other non-taxable items) in 1996 was 32% (1995 – 32%, 1994 – 36%). The effective income tax rate for regulated businesses (excluding equity in earnings of affiliates and other non-taxable items) in 1996 was 33% (1995 – 24%, 1994 – 35%).
(3) The principal timing difference in calculating deferred income taxes, for both regulated and non-regulated operations, relates to tax deductions for plant, property and equipment in excess of depreciation.

Income tax by location

Year ended December 31 (millions of dollars)	1996	1995	1994
Income before taxes			
Canada	$ 454	$ 818	$ 672
Foreign	160	121	60
	$ 614	$ 939	$ 732
Current income taxes			
Canada	$ 171	$ 207	$ 50
Foreign	2	1	1
	$ 173	$ 208	$ 51
Deferred income taxes			
Canada	$ (20)	$ 33	$ 93
Foreign	30	(4)	13
	$ 10	$ 29	$ 106

8. Receivables

December 31 (millions of dollars)	1996	1995	1994
Trade	$ 587	$ 438	$ 628
Other	91	109	60
Allowance for doubtful accounts	(11)	(9)	(7)
	$ 667	$ 538	$ 681

NOVA sells trade receivables to certain financial institutions on a revolving basis subject to certain limits. Recourse to NOVA is limited to a maximum of 10% of the amount outstanding at any point in time. At December 31, 1996, trade receivables sold amounted to $103 million (1995 – $93 million, 1994 – $77 million).

9. Inventories

December 31 (millions of dollars)	1996	1995	1994
Materials and supplies	$ 80	$ 63	$ 88
Raw materials	126	91	95
Work in process	1	5	4
Finished goods	237	142	112
	$ 444	$ 301	$ 299

10. Property, Plant and Equipment

December 31 (millions of dollars)		1996	1995	1994
Cost				
NOVA Gas Transmission		$ 6,232	$ 6,073	$ 5,538
NOVA Gas International		784	735	718
NOVA Chemicals		3,269	2,985	3,049
Other		41	37	32
		$ 10,326	$ 9,830	$ 9,337
Accumulated depreciation	Rate[1]			
NOVA Gas Transmission	3%	$ 1,437	$ 1,354	$ 1,243
NOVA Gas International	3%	271	247	241
NOVA Chemicals	7%	1,570	1,342	1,230
Other	8%	13	10	5
		$ 3,291	$ 2,953	$ 2,719
Net Book Value				
NOVA Gas Transmission		$ 4,795	$ 4,719	$ 4,295
NOVA Gas International		513	488	477
NOVA Chemicals		1,699	1,643	1,819
Other		28	27	27
		$ 7,035	$ 6,877	$ 6,618

(1) Weighted average depreciation rate.

11. Bank Loans

Current bank loans include loans of $94 million (1995 – $11 million, 1994 – $284 million) which are secured by certain property, plant and equipment and other assets and agreements. The weighted average year-end interest rate on current bank loans was 5.0% (1995 – 7.5 %, 1994 – 5.4%).

12. Accounts Payable and Accrued Liabilities

December 31 (millions of dollars)	1996	1995	1994
Accounts payable			
Trade	$ 380	$ 356	$ 424
Other	33	37	46
	413	393	470
Accrued liabilities			
Interest	75	72	69
Site cleanup and restoration (current portion)	5	7	4
Other	80	67	70
	160	146	143
Income taxes payable	62	150	27
Dividends payable	47	39	31
	$ 682	$ 728	$ 671

13. Long-term Debt

December 31 (millions of dollars)	1996				1995		1994	
	Maturity		Debt	Average Interest Rate	Debt	Average Interest Rate	Debt	Average Interest Rate
NOVA Gas Transmission[1,2]								
Unsecured debentures and term notes	1997 to 2026	$	1,636	9.6%	$ 1,695	10.1%	$ 1,385	10.5%
Unsecured debentures and term notes (U.S.$)	1997 to 2026		1,471	7.8%	1,489	8.1%	1,538	8.4%
Unsecured bank loans and notes[3]			353	3.4%	150	6.1%	139	6.9%
			3,460		3,334		3,062	
Exchange differential recoverable from customers through the toll making process			(117)		(134)		(170)	
Variable rate preferred shares of NOVA Gas Transmission			–		–		100	4.5%
			3,343		3,200		2,992	
Other								
Secured loans and notes for Ethylene Plants I and II (U.S.$)	1997 to 2004		244	6.4%	294	6.9%	361	7.1%
Exchange differential recoverable from customers through the contractual billing process			(22)		(26)		(43)	
			222		268		318	
Other secured loans			–		–		128	6.6%
Unsecured loans[3]			309	4.3%	153	6.4%	305	6.7%
Unsecured debentures and notes (U.S.$)	2000 to 2028		856	7.1%	479	6.8%	–	
			1,387		900		751	
Joint venture loans[3]			273	7.6%	276	7.5%	263	8.0%
			5,003		4,376		4,006	
Less instalments due within one year			(151)		(115)		(194)	
		$	4,852		$ 4,261		$ 3,812	
Regulated[4]		$	3,625		$ 3,585		$ 3,420	
Non-regulated			1,227		676		392	
		$	4,852		$ 4,261		$ 3,812	

(1) As at December 31, 1996, 1995 and 1994, all unsecured debentures and term notes listed under NOVA Gas Transmission are included in that business' regulated debt.
(2) Interest rate swap agreements have been made on these notes (see Note 20(b)). The weighted average interest rate includes the effects of the swap.
(3) Amounts have been borrowed in accordance with the lines of credit and can be replaced with other long-term debt instruments.
(4) Long-term debt classified as regulated debt represents the debt component of the capital structure for the investment base of NOVA's regulated operations. These regulated operations bill their customers under arrangements that include a reasonable return to provide for the repayment of the debt and related interest expense. Realized foreign exchange gains or losses on such debt are also billed to the customer.

Ethylene plants I and II

Ethylene plant financings are collateralized by first fixed charges on the respective plants and related assets. Certain related ethylene contracts have also been assigned.

Repayment requirements

Repayment requirements in respect of long-term debt for the five years following December 31, 1996, are 1997 – $151 million; 1998 – $487 million; 1999 – $374 million; 2000 – $530 million; 2001 – $70 million; and $3,391 million thereafter.

Joint-venture debt

All the debt of joint ventures is non-recourse to NOVA. The debt is collateralized by the rights and assets of the joint ventures. Joint-venture debt holders have no claim against the rights and assets of NOVA, except to the extent of NOVA's investment in the joint ventures.

Lines of credit

NOVA has credit facilities with various banks that allow unsecured borrowing of up to $2.2 billion at floating rates. The facilities are available for general purposes and to support commercial paper borrowings of the regulated pipeline operations. NOVA may borrow in Canadian and U.S. currencies at interest rates related to Canadian and U.S. prime rates or the London Inter Bank Offered Rates. Approximately $1.9 billion of the facilities are renewable at NOVA's request at least every 364 days. If these facilities are not renewed the outstanding balances become repayable within periods ranging from one to four years. At December 31, 1996, approximately $1 billion of the credit facilities were unutilized.

14. Deferred Credits

December 31 (millions of dollars)	1996	1995	1994
Deferred income taxes	$ 264	$ 251	$ 229
Site cleanup and restoration (long-term portion)	56	63	59
Other	74	23	37
	$ 394	$ 337	$ 325

Other deferred credits include a deferred gain from the sale and leaseback of NGT's head office building, pension and post-retirement benefit accruals and restructuring accruals.

In 1994, Pan-Alberta, a wholly owned subsidiary of NCL, received amounts on behalf of its customers in connection with long-term contracts to supply natural gas. The amounts are held in trust and are being paid to the customers over a six-year period. The amounts held in trust have been netted against the obligation to repay the customers. NOVA's proportionate share of the amounts at December 31, 1996, was $53 million (1995 – $72 million, 1994 – $111 million).

15. Shares and Warrants

a) Authorized

Unlimited number of voting common shares without par value.
5,000,000 warrants.

(b) Issued and outstanding

December 31	1996	1995	1994	1996	1995	1994
		(number of shares and warrants)			(millions of dollars)	
Shares	465,294,809	480,021,630	478,172,048	$ 2,571	$ 2,641	$ 2,622
Warrants	–	7,600	10,600	–	–	–
				$ 2,571	$ 2,641	$ 2,622

(c) Shares issued

Changes in the share capital for the three years ended December 31, 1996 are summarized as follows:

Year ended December 31	1996	1995	1994	1996	1995	1994
		(number of shares)			(millions of dollars)	
Beginning of year	480,021,630	478,172,048	406,724,952	$ 2,641	$ 2,622	$ 1,937
For cash	99,200	140,100	52,598,228	1	2	492
For cash under DRSPP(1)	371,404	468,257	442,702	5	5	5
On exercise of warrants(2)	18,600	9,000	52,500	–	–	–
On conversion of convertible debentures	–	–	14,018,691	–	–	150
For cash on exercise of stock options	2,982,825	1,232,225	4,334,975	25	12	38
Repurchased for cash	(18,198,850)	–	–	(101)	–	–
End of year	465,294,809	480,021,630	478,172,048	$ 2,571	$ 2,641	$ 2,622

(1) Dividend Reinvestment and Share Purchase Plan (DRSPP)
(2) During 1996, 6,200 warrants were exercised (1995 – 3,000 warrants, 1994 – 17,500 warrants).

d) Shares reserved for future issue

December 31	1996
	(number of shares)
Under the DRSPP	1,075,809
Under the incentive stock option plan (1982)[(1)]	21,648,325
	22,724,134

(1) Under the incentive stock option plan (1982), options are outstanding to officers and employees to purchase 10,915,075 shares at prices ranging from $7.63 to $12.375 per share with expiration dates between January 30, 1998 to December 12, 2006 and 10,733,250 shares are reserved but unallocated.

(e) Options

	Number of shares	Exercise prices			Weighted average exercise prices
Outstanding at Dec. 31, 1993	12,611,025	$ 6.875	–	$ 12.670	$ 8.841
Granted	2,645,500	$ 9.250	–	$ 12.375	$ 8.026
Exercised	(4,334,975)	$ 7.630	–	$ 12.670	$ 8.781
Cancelled	(78,050)	$ 8.500	–	$ 11.450	$ 9.000
Expired	(272,000)	$ 8.500	–	$ 12.670	$ 11.498
Outstanding at Dec. 31, 1994	10,571,500	$ 6.875	–	$ 12.670	$ 9.031
Granted	2,283,500	$ 11.125			$ 11.125
Exercised	(1,232,225)	$ 7.630	–	$ 11.450	$ 9.650
Cancelled	(78,125)	$ 8.625	–	$ 11.125	$ 10.160
Expired	(314,500)	$ 11.450			$ 11.450
Outstanding at Dec. 31, 1995	11,230,150	$ 6.875	–	$ 12.670	$ 9.304
Granted	2,787,375	$ 12.250	–	$ 12.300	$ 12.247
Exercised	(2,982,825)	$ 8.500	–	$ 12.250	$ 8.450
Cancelled	(36,625)	$ 9.250	–	$ 12.250	$ 11.290
Expired	(83,000)	$ 12.670			$ 12.670
Outstanding at Dec.31, 1996	10,915,075	$ 6.875	–	$ 12.375	$ 10.266

There were 7,174,056 shares exercisable at December 31, 1996 (1995 – 8,203,094, 1994 – 7,678,375). The weighted-average remaining contractual life of those options is eight years. Options may be exercised over a ten-year period and generally one-quarter of the options vest at the grant date with further vesting of one-quarter per year for the next three years.

(f) Warrants

The warrants were issued in 1986 at a price of $15.00 per warrant. Each warrant entitled the holder at his or her option to obtain on exercise three NOVA Common shares at any time before July 31, 1996.

(g) Shareholder rights plan

In May 1994, NOVA's shareholders approved a shareholder rights plan where one right was issued for each outstanding common share. The rights remain attached to the shares and are not exercisable until the commencement or announcement of a take-over bid for NOVA's common shares, or a person acquires 15% or more of NOVA's common shares. The plan expires in May 1999.

(h) Fully diluted earnings per share

For the purpose of calculating fully diluted earnings per share, net income was increased by $ nil (1995 – $5 million, 1994 – $4 million). The increase represents imputed after-tax earnings on the cash that would have been received on an assumed exercise of options and warrants.

16. Cumulative Translation Adjustment (CTA)

The CTA represents the net unrealized foreign currency translation gain on NOVA's net investment in self-sustaining foreign operations.

Year ended December 31 (millions of dollars)	1996	1995	1994
Beginning of year	$ 31	$ 117	$ 47
Effect of changes in exchange rates during the year on:			
Consolidated operations	1	(30)	54
Equity accounted investments	–	(11)	16
Gain realized on the reduction of the net investment in foreign subsidiaries	–	(45)	–
End of year	$ 32	$ 31	$ 117

17. Operating, Investing and Financing Activities

(a) Changes in non-cash working capital

Year ended December 31 (millions of dollars)	1996	1995	1994
Receivables	$ (129)	$ 143	$ (166)
Inventories	(143)	(2)	15
Assets held for sale	–	–	165
Accounts payable and accrued liabilities	(46)	57	103
Changes in non-cash working capital	(318)	198	117
Reclassification and other items not having a cash effect:			
Assets held for sale	–	–	(146)
Other items	10	(24)	(5)
Changes in non-cash working capital having a cash effect	$ (308)	$ 174	$ (34)
These changes relate to the following activities:			
Operating	$ (306)	$ 181	$ (52)
Investing	(3)	(15)	15
Financing	1	8	3
	$ (308)	$ 174	$ (34)

(b) Gross investing and financing activities

Year ended December 31 (millions of dollars)	1996	1995	1994
Investing activities per statement of cash flows	$ (790)	$ (418)	$ (704)
Add back regulated long-term debt additions	(173)	(397)	(545)
Gross investing activities	$ (963)	$ (815)	$ (1,249)
Financing activities per statement of cash flows	$ 161	$ (442)	$ 18
Add back regulated long-term debt additions	173	397	545
Gross financing activities	$ 334	$ (45)	$ 563

(c) Long-term investment activities

Expenditures were made on the following long-term investments:

Year ended December 31 (millions of dollars)	1996	1995	1994
GasAndes pipeline and related projects	$ 191	$ 37	$ –
Mortgage receivable on head office building	161	–	–
Interest in pipeline in Argentina, TGN	34	–	20
NGC Corporation	–	95	246
Methanex Corporation	–	8	223
Interest in Moomba-Sydney pipeline in Australia	–	–	72
Pan-Alberta Gas Ltd.	–	–	19
Other	40	3	44
	$ 426	$ 143	$ 624

(d) Interest and income taxes paid

Interest paid during 1996 amounted to $369 million (1995 – $376 million, 1994 – $351 million). Income taxes paid during 1996 amounted to $242 million (1995 – $94 million, 1994 – $57 million).

18. Post-retirement Benefits

(a) Pension plans

NOVA's pension plans cover substantially all employees. Pensions at retirement are related to years of service and remuneration during the last years of employment and are partially indexed to inflation. The cost of pension benefits earned by employees is determined using the projected benefit method pro-rated on services and is expensed as the employees provide services. Actuarial reports are prepared regularly by independent actuaries for accounting and funding purposes. NOVA funds the plan using the projected unit credit method and the plan's assets consist primarily of publicly traded equity and fixed income securities. The assumed future rates of return on assets and discount rates used to determine the estimated projected benefit obligations of the plans were 8% for 1996, 1995 and 1994. The assumed long-term salary and wage escalation rates, including merit increases, averaged 5.5% for 1996, 1995 and 1994.

Pension expense consists of the following:

Year ended December 31 (millions of dollars)	1996	1995	1994
Current service costs	$ 25	$ 24	$ 22
Interest cost on projected benefit obligations	43	41	36
Return on assets	(42)	(38)	(31)
Net total of other components	(1)	2	(2)
Pension expense	25	29	25
Amounts recoverable under regulated tolls	(11)	(12)	(10)
	$ 14	$ 17	15

The status of the pension plans is as follows:

December 31 (millions of dollars)	1996	1995	1994
Estimated obligations			
Projected benefits based on service to date and present remuneration	$ 385	$ 374	$ 352
Additional amounts related to projected salary and wage increases	169	164	154
Total projected benefit obligations	554	538	506
Assets available at adjusted market value	580	510	450
Excess (deficiency) on an accounting basis	$ 26	$ (28)	$ (56)

The adjusted market value of plan assets is determined on a four-year moving average basis. Based on year-end market values, NOVA's pension plan assets at December 31, 1996, amounted to $639 million (1995 –$552 million, 1994 – $478 million).

(b) Post-retirement benefits other than pensions

NOVA provides medical care and life insurance benefits to eligible retirees and their dependants. Post-retirement costs are funded as they are incurred. The assumed long-term salary and wage escalation rates, including merit increases, averaged 5.5% for 1996, 1995 and 1994. Long-term medical inflation was assumed to be 5.5% (1995 – 5.5%, 1994 – 6%) and the discount rate used to calculate the accumulated post-retirement benefit obligations was 8% for 1996, 1995 and 1994. A 1% increase in the medical inflation rate would have increased the accumulated post-retirement benefit obligation by an additional $5 million at December 31, 1996.

NOVA accrues the cost of providing post-retirement benefits as the employees provide services. Prior to 1993, the cost of providing post-retirement benefits for non-regulated operations was expensed when paid. The change to the accrual method was applied prospectively and resulted in an accumulated unrecorded obligation. This obligation is being recognized over the expected average remaining service lifetime of the employees, which is 16 years. At December 31, 1996, the unrecorded obligation is approximately $35 million (1995 – $35 million, 1994 – $40 million).

Post-retirement benefit expenses consist of the following:

Year ended December 31 (millions of dollars)	1996	1995	1994
Current service costs	$ 1	$ 1	$ 2
Interest costs on accumulated post-retirement obligations	3	3	3
Net total of other components	4	2	2
Post-retirement benefit expense	8	6	7
Amounts recoverable under regulated operations	(2)	(2)	(2)
	$ 6	$ 4	$ 5

19. Contingencies and Commitments

(a) NOVA leases office space, data-processing and transportation equipment under various operating leases. The minimum lease payments, net of recoveries from regulated operations and sub-leases of $240 million, are approximately, $47 million in 1997, $37 million in 1998, $24 million in 1999, $17 million in 2000, $13 million in 2001 and $102 million thereafter.

(b) The agreement for the sale and leaseback of the head office building provided that, on or before January 1, 1995, NGT would offer to purchase the building for $157 million when the lease expires on December 30,1997. An offer to purchase the building which was made on December 19, 1994, expires on June 30, 1997.

(c) In addition to the future site cleanup and restoration costs which have been accrued (see Notes 12 and 14), costs will be incurred in the future for plant sites when they are sold or no longer used. The associated liability cannot currently be determined.

(d) Various lawsuits and claims are pending by and against NOVA. In management's opinion, the final determination of these claims will not materially affect the financial position or operating results of NOVA. Seven producers in the Pan-Alberta gas aggregation pool have filed a statement of claim in the Alberta Court of Queen's Bench against Pan-Alberta claiming damages of approximately $55 million. The claim alleges that Pan-Alberta has breached contractual, regulatory and fiduciary obligations that deprived these producers of the best available prices for their natural gas production. Pan-Alberta is vigorously defending against the claim, which is in its preliminary stages, the outcome of which presently cannot be determined.

(e) On July 28, 1995, the Alberta Energy and Utilities Board (EUB) issued a decision reducing a portion of the transportation tolls included in NGT's cost-of-service on the western leg of the mainline system and directed NGT to refund to its customers $9 million relating to the period November 1, 1993, to December 31, 1994. At NOVA's request, the EUB has agreed to review its decision and suspend the refund requirement until it issues a final decision. A charge to net income of approximately $5 million on an after-tax basis may be required when the EUB issues a final decision on this matter.

(f) An application has been filed with the Alberta Court of Appeal by an interested party seeking leave to appeal the January 4, 1996, decision of the EUB insofar as it relates to a portion of the transportation tolls included in NGT's 1995 revenue requirement for the Western leg of the NGT mainline system. This application has not been heard by the Alberta Court of Appeal and a potential charge to net income of approximately $7 million on an after-tax basis has not been recorded.

(g) NOVA and its partners have signed a completion guarantee on the construction of the GasAndes pipeline. If the pipeline is not completed within nine months of the agreed upon completion date (July 31, 1997) customers contracting for service from the pipeline will have the option to purchase the pipeline. Following such a purchase, NOVA and its partners will also be obligated to pay the customers any difference between an agreed upon construction cost (U.S. $370 million) and the amount actually spent towards the completion, as well as reimburse customers for losses incurred because of the late completion (up to U.S. $20 million). Each of the project's partners are severally liable for their proportionate share of the total exposure. As at December 31, 1996, NOVA's proportionate share was 56.5%.

(h) NOVA has entered into a contingent sponsor support agreement with regard to the financing of TGN. NOVA has agreed to guarantee repayment of one third of certain TGN long-term debt to a maximum of U.S. $78 million. NOVA would be liable only in the event that the license to operate and transport gas in Argentina was revoked or terminated by the regulatory authorities for reasons other than bankruptcy. A third party has idemnified NOVA for 42% of NOVA's contingent liability, reducing NOVA's exposure to U.S. $45 million.

20. Financial Instruments

Financial instrument fair values

Financial instrument fair values represent a reasonable approximation of amounts NOVA would have received or paid to counterparties on December 31 to unwind positions or settlement of debt prior to maturity. At December 31, 1996, NOVA has no plans to unwind these positions prior to maturity. Carrying amounts represent the receivable or payable recorded in the Consolidated Balance Sheet. The carrying amounts reported in the balance sheet for cash, accounts receivable and payable, and current bank loans approximate their fair value. NOVA does not have a significant exposure to any individual customer or counterparty. Fair values and carrying amounts for financial instruments are disclosed below.

December 31, (millions of dollars)	Carrying Amount 1996	Carrying Amount 1995	Carrying Amount 1994	Estimated Fair Value(1) 1996	Estimated Fair Value(1) 1995	Estimated Fair Value(1) 1994
Long-term debt(2)						
Regulated businesses	$ 3,776	$ 3,722	$ 3,412	$ 4,236	$ 4,140	$ 3,499
Non-regulated businesses	$ 1,227	$ 654	$ 494	$ 1,224	$ 666	$ 494
Interest rate swap agreements	$ –	$ –	$ –	$ 12	$ (10)	$ (5)
Mortgage receivable(3)	$ 158	$ –	$ –	$ 169	$ –	$ –

(1) The fair value of long-term debt is based on quoted market prices, where available. If market prices are not available, fair values are estimated using discounted cash flow analyses, based on NOVA's current incremental borrowing rates for similar borrowing arrangements.
(2) Includes debt instalments due within one year.
(3) NOVA has an outstanding mortgage receivable on its head office building of $158 million. This loan bears interest at 10.6%. The estimated fair value of this loan based on NOVA's incremental borrowing rate for similar borrowing arrangements is $169 million.

Derivatives and other hedging instruments

NOVA sells petrochemicals products at prices based on U.S. dollars, purchases energy commodities, invests in foreign operations and issues short- and long-term debt, including amounts in foreign currencies. These activities result in exposures to fluctuations in foreign currency exchange rates, energy prices and interest rates.

NOVA manages its exposures by entering into contractual arrangements (derivatives) which reduce (hedge) the exposure by creating an offsetting position. The estimated fair values only represent the value of the hedge component of these transactions and do not consider the value of the contracted and anticipated transactions that are being hedged. NOVA does not provide or require security on its derivative positions. NOVA also has a joint-venture interest in a natural gas marketing company, NCL, which enters into fixed-price forward contracts in connection with its natural gas activities (see Note 20(e)).

(a) Foreign exchange risk management

NOVA has U.S. and Canadian based petrochemicals operations. The selling price for products sold by these operations is established in terms of the U.S. dollar. NOVA reduces its exposure to fluctuations in the U.S. dollar by using forward exchange contracts and options to sell forward expected future receipts of U.S. dollars at specified rates and hedge its anticipated net exposure on U.S. cash flows. This represents approximately 70% of the estimated exposure for 1997 through 2001. The forwards and options outstanding at December 31, 1996 are as follows:

December 31 (millions of dollars, except for rates)	1996	1995	1994
Foreign exchange forwards			
Notional amount	U.S. $ 2,114	$ 501	$ 450
Average exchange rate per U.S. dollar	Cdn.$ 1.34	$ 1.39	$ 1.37
Estimated fair value(1)	Cdn.$ (3)	$ 9	$ (21)
Carrying value	Cdn.$ –	$ –	$ –
Foreign exchange options			
Notional amount	U.S. $ 140	$ 260	$ –
Average exchange rate per U.S. dollar	Cdn.$ 1.36	$ 1.40	$ –
Estimated fair value(1)	Cdn.$ 5	$ 10	$ –
Carrying value	Cdn.$ –	$ –	$ –

(1) Asset (liability). The fair values of these instruments are estimated based on quoted market prices of comparable contracts, adjusted for maturity differences.

(b) Interest rate risk management

NOVA uses interest rate swaps to manage the fixed and floating interest rate mix of the total debt portfolio. By entering into interest rate swap agreements, NOVA agrees to exchange with counterparties the difference between fixed rate and floating rate interest amounts calculated by reference to banker's acceptance rates and London Inter Bank offered rates and to an agreed notional amount. The notional amounts do not represent the amount exchanged by the counterparties, and therefore are not a measure of market or credit exposure.

December 31 (millions of dollars, except for rates)	1996	1995	1994
Floating to fixed rate swaps			
Notional amount	$ 205	$ 205	$ 316
Average receive rate	5.90%	6.28%	5.89%
Average pay rate	8.95%	8.95%	9.12
Average term to maturity (years)	3.87	4.87	3.9
Fixed to floating rate swaps			
Notional amount	$ 131	$ 131	$ 131
Average receive rate	9.02%	9.02%	9.02%
Average pay rate	3.19%	6.16%	6.20%
Average term to maturity (years)	3.3	4.3	5.3
Floating to floating rate swaps			
Notional amount	$ 65	$ –	$ –
Average receive rate	3.78%	–%	–%
Average pay rate	3.30%	–%	–%
Average term to maturity (years)	3.08	–	–

Cross-currency swaps

NOVA uses cross-currency swaps to manage its exposure to currency risks. By entering into cross-currency swaps, NOVA agrees to exchange with counterparties principal and interest denominated in different currencies at an agreed upon foreign exchange rate. Long-term debt instruments associated with cross-currency swaps are carried at the swapped amount.

During 1996, NOVA entered into two cross-currency swaps which effectively convert U.S. $143 million of fixed interest rate debt into Cdn. $186 million fixed interest rate debt. Upon maturity of the debt instruments, NOVA will receive U.S. $143 million and pay Cdn. $186 million. In the interim, NOVA pays interest in Canadian dollars at a fixed rate of 8.24% and receives interest in U.S. dollars at a fixed rate of 8.24%.

NOVA has entered into a cross-currency swap which effectively converts the fixed interest cost on U.S. $125 million of fixed interest rate debt to Cdn. $159 million floating interest rate debt. Upon maturity of the debt instrument, NOVA will receive U.S. $125 million and pay Cdn. $159 million. In the interim, NOVA pays floating interest rate amounts in Canadian dollars and receives fixed interest rate amounts in U.S. dollars. On December 31, 1996, NOVA's average receive rate was 7.88% U.S., while the average pay rate was 6.24% Canadian.

(c) Commodity price risk management

NOVA uses commodity futures to hedge a portion of its exposure to price fluctuations on anticipated crude oil, refined products and natural gas transactions. The instruments are used to moderate the risk of fluctuations in feedstock prices by protecting against adverse short-term price movements, while limiting, somewhat, the benefits of favorable short-term price movements. They are not used for speculative purposes. Typically, trading is conducted to manage price risk around near-term (30 – 60 days) supply requirements. Occasionally, longer-term positions will be taken to manage price risk for anticipated supply requirements. At December 31, 1996, the fair value of the outstanding contracts was $15 million. At December 31, 1995 and 1994 the fair value of the outstanding contracts was less than $1 million.

(d) Credit risk management

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which NOVA has an unrealized gain fails to perform. NOVA only transacts with counterparties having a minimum credit rating of A+ for its foreign exchange and interest rate related instruments. Credit exposure on commodity price risk instruments are managed through credit approval and monitoring procedures. NOVA does not anticipate any counterparties will fail to meet their obligations. At December 31, 1996, NOVA's credit exposure was $36 million for foreign currency instruments, $15 million for interest rate management instruments, and $15 million for commodity- based instruments.

(e) Price risk management activities of NCL

NCL uses certain types of fixed-price contracts in connection with its natural gas and marketing business lines. These contracts include fixed-price contracts which commit it to purchase or sell natural gas at fixed prices in the future, swaps and other types of financial instruments traded in the over-the-counter financial market, and futures and option contracts traded on the New York Mercantile Exchange through NCL's affiliate NGC Corporation. NCL uses these contracts to hedge its fixed-price commitments as a service to its customers and suppliers, to reduce its exposure to the volatility of cash market prices and to take advantage of opportunities to profit through open positions.

NCL is subject to market risk on its open positions to the extent that there are changes in the market price of natural gas. NCL has counterparty credit policies which include a thorough review of the potential counterparty's financial condition, collateral requirements under certain circumstances, monitoring of net exposure to each counterparty and using standardized master agreements which allow for netting of positive and negative exposures associated with each counterparty. The net positions of NCL's contracts at December 31, 1996, 1995 and 1994 were not material.

21. Prior Period Adjustment

In 1996, Methanex reached a settlement with Revenue Canada regarding the reassessment of its 1988 tax return. The net effect of this settlement on NOVA is to decrease reinvested earnings and decrease the investment in Methanex by $9 million at January 1, 1994.

22. United States Accounting Principles

(a) Reconciliation to accounting principles generally accepted in the United States of America

(millions of dollars except for share data)	1996	1995	1994
Year ended December 31			
Net income using Canadian basis	$ 431	$ 702	$ 575
Add (deduct) adjustments for:			
Equity in earnings of affiliates(1)	1	21	(27)
Prior period adjustment under Canadian GAAP(2)	(9)	–	–
Income taxes(3)	–	(4)	3
Foreign exchange gains(4)	(9)	(30)	–
Development costs(5)	3	(13)	–
Inventory valuation adjustment(6)	5	1	(5)
Other	1	3	2
Net income using U.S. basis	$ 423	$ 680	$ 548
Net income per share using U.S. basis			
Primary and fully diluted	$ 0.89	$ 1.41	$ 1.16
December 31			
Balance sheet items using U.S. basis(7)			
Current assets	$ 1,261	$ 1,086	$ 941
Investments and other assets(3)	2,399	1,887	1,602
Plant, property and equipment	6,465	6,347	6,121
Current liabilities	(775)	(756)	(1,103)
Long-term debt	(4,579)	(3,985)	(3,449)
Deferred credits(3)	(887)	(757)	(690)
Minority interest(8)	–	–	(100)
Shareholders' equity	$ 3,884	$ 3,822	$ 3,322

(1) NOVA's share of adjustments made to Methanex Corporation's and NGC Corporation's financial information to comply with U.S. accounting principles.
(2) Methanex reached a settlement with Revenue Canada regarding the reassessment of their 1988 income tax return. Under Canadian GAAP, the settlement has been charged to prior year earnings. Under U.S. GAAP, the settlement amount would be charged to current year earnings.
(3) U.S. accounting principles require companies to recognize deferred income taxes based on the liability method whereas Canadian accounting principles require that the deferral method be used. Under the U.S. basis companies are also required to record deferred income tax liabilities and long-term receivables for deferred income taxes to be collected from regulated customers in future years. These amounts are not recorded under the Canadian basis.
(4) U.S. accounting principles only allow deferral of gains or losses on forward exchange contracts if the contracts hedge firm foreign currency commitments. Gains or losses on forward exchange contracts that hedge anticipated future transactions must be realized in income. Canadian principles allow deferral of gains and losses on hedges of anticipated transactions. U.S. accounting principles only allow CTA realization when there is a partial or complete sale or liquidation of an investment in a foreign affiliate. Canadian principles allow CTA realization when there has been a reduction in the net foreign investment as a result of a dividend distribution.
(5) U.S. accounting principles require that all research and development costs be expensed as incurred. Canadian principles allow capitalization of development costs if certain criteria are satisfied.
(6) U.S. accounting principles require an allocation of fixed production overhead to inventory. Canadian accounting principles allow these costs to be expensed during the period.
(7) U.S. accounting principles require corporate joint ventures to be accounted for using the equity method whereas Canadian principles require proportionate consolidation of all joint ventures. The equity method does not result in any change to NOVA's net income or shareholders' equity, however all assets liabilities, revenues, expenses and most cash flow items are decreased when compared with the amounts that are presented using proportionate consolidation (see Note 5).
(8) Under Canadian accounting principles minority interest represented by redeemable preferred shares of a subsidiary is shown as long-term debt.

(b) Projected pension benefit obligations (PPBOs)

United States accounting principles require the discount rate assumption for the valuation of PPBOs to be calculated based on the year-end rate for high-quality Canadian fixed income investments. This compares with the Canadian basis of accounting which uses management's best estimate of the long-term fixed income investment rate. For 1996, the U.S. basis discount rate was 7.5% compared with 8.0% using the Canadian basis. Under U.S. GAAP for 1996 the PPBOs would reduce the pension surplus by $14 million to $12 million from $26 million under Canadian GAAP. For 1995, the discount rates are the same under both bases. In 1994, the U.S. basis discount rate was 10% compared with 8% using the Canadian basis. Using a 10% discount rate would have resulted in a $100 million excess of pension assets over PPBOs on an accounting basis as at December 31, 1994. Using an 8% discount rate resulted in a $56 million deficiency on an accounting basis as at December 31, 1994.

(c) Statement of cash flows presentation

Under U.S. reporting rules, the 1994 exchange of NOVA's methanol assets ($104 million) for Methanex common shares and the conversion of convertible debentures ($150 million) would not be included in the statement of cash flows.

(d) Stock-based compensation

Under U.S. reporting rules NOVA has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock option plans because the alternative fair value accounting provided for under FASB No. 123, "Accounting for Stock-Based Compensation," requires use of option valuation models that were not developed for use in valuing employee stock options. Pro forma information regarding net income and earnings per share has been calculated as required by Statement 123 and has been determined not to have a material effect. See Note 15(e) for details of NOVA's stock option plan.

Management's Report

To the shareholders of NOVA Corporation

The consolidated financial statements and other financial information included in this annual report have been prepared by management. It is management's responsibility to ensure that sound judgment, appropriate accounting principles and methods and reasonable estimates have been used in the preparation of this information. They also ensure that all information presented is consistent.

Management is also responsible for developing internal controls over the financial reporting process. The internal control system includes an internal audit function and an established business conduct policy. Management believes the system of internal controls, review procedures and established policies provide reasonable assurance as to the reliability and relevance of financial reports. Management also believes that NOVA's operations are conducted in conformity with the law and with a high standard of business conduct.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit and Finance Committee. The Committee, which consists solely of non-management directors, reviews the financial statements and annual report and recommends them to the Board for approval. The Committee meets with management, internal auditors and external auditors to discuss internal controls, auditing matters and financial reporting issues. Internal and external auditors have full and unrestricted access to the Audit and Finance Committee. The Committee also recommends a firm of external auditors to be appointed by the shareholders.

J. E. (Ted) Newall, O.C.
Vice Chairman and Chief Executive Officer

A.T. Poole,
Chief Financial Officer

February 14, 1997
Calgary, Alberta

Auditors' Report

To the shareholders of NOVA Corporation

We have audited the consolidated balance sheet of NOVA Corporation as at December 31, 1996, 1995 and 1994 and the consolidated statements of income and reinvested earnings and cash flows for each of the years in the three year period ended December 31, 1996. These financial statements are the responsibility of NOVA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NOVA Corporation as at December 31, 1996, 1995 and 1994 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1996 in accordance with accounting principles generally accepted in Canada.

Ernst & Young

Chartered Accountants

February 14, 1997
Calgary, Alberta

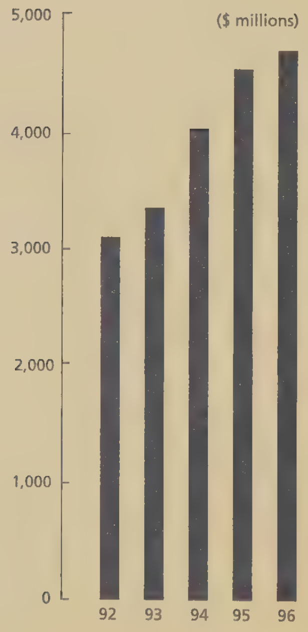
Supplemental Information

Summarized Quarterly Financial Information (Unaudited)

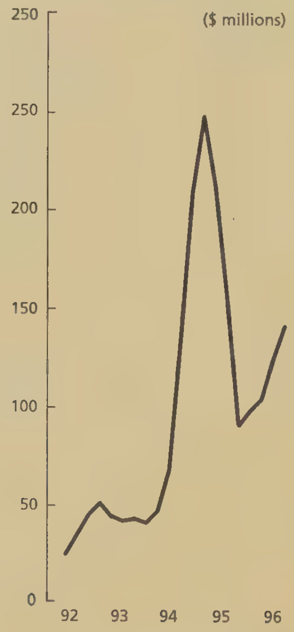
Three months ended (millions of dollars, except for share data)		March 31 1996	March 31 1995	June 30 1996	June 30 1995	September 30 1996	September 30 1995	December 31 1996	December 31 1995
Revenue	$	**1,119**	1,191	**1,126**	1,205	**1,250**	1,058	**1,191**	1,073
Operating income	$	**201**	369	**228**	387	**242**	293	**267**	178
Net income	$	**97**	247	**103**	211	**123**	155	**108**	89
Net income from ongoing operations(1)	$	**97**	247	**103**	211	**123**	155	**140**	89
Average number of shares outstanding (millions)		**480**	478	**479**	479	**474**	479	**467**	480
Data per share									
Net income (fully diluted)	$	**0.20**	0.51	**0.22**	0.43	**0.26**	0.31	**0.23**	0.19
Dividends paid	$	**0.08**	0.06	**0.09**	0.08	**0.09**	0.08	**0.09**	0.08
Market price									
Toronto Stock Exchange									
High	$	**13.13**	13.75	**13.55**	12.75	**12.75**	12.38	**13.15**	11.50
Low	$	**10.88**	10.63	**12.25**	10.88	**11.45**	10.38	**11.35**	9.50
Close	$	**12.88**	12.38	**12.35**	11.63	**11.95**	10.63	**12.15**	11.00
New York Stock Exchange									
High ($U.S.)	$	**9-5/8**	9-5/8	**10**	9-1/4	**9-3/8**	9	**9-3/4**	8-1/2
Low ($U.S.)	$	**8**	7-5/8	**9**	8	**8-1/4**	7-5/8	**8-1/2**	7
Close ($U.S.)	$	**9-1/2**	8-3/4	**9**	8-1/2	**8-3/4**	7-7/8	**8-3/4**	8

(1) Excludes NOVA's $32 million share of Methanex asset write-down.

revenue per year

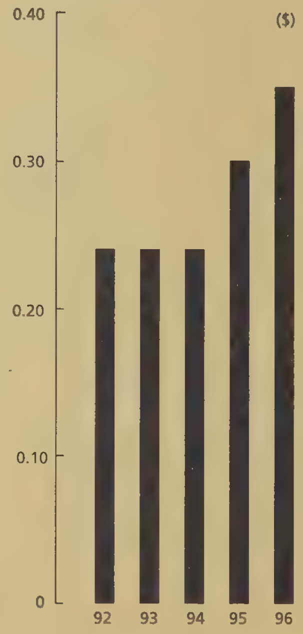


net income per quarter(1)



(1) Excludes non-recurring gains and losses.

dividends paid per share



NOVA will increase the quarterly dividend to 10 cents from 9 cents beginning with the February 15,1997, payment.

Corporate Governance

The governance of the Corporation is the responsibility of NOVA's Board of Directors and is delivered through four committees of the Board and NOVA's Corporate Strategy and Policy Committee, comprising senior management.

Since 1992, NOVA has had in place a broad-reaching plan for governance. With NOVA's increasing national and international development, the directors and management have responded to the need to establish forward-looking governance policies and to regularly evaluate and modify them to ensure their effectiveness.

In 1994, The Toronto Stock Exchange (TSE) Committee on Corporate Governance published guidelines to help corporations assess their governance systems and accountability to shareholders. NOVA's governance procedures are in alignment with 13 of the 14 guidelines.

The single exception relates to the guideline that there be clearly stated mandates for the Board and the Chief Executive Officer. While NOVA's CEO has a specific mandate, this is not the case for NOVA's Board of Directors. NOVA's full Board has plenary power without specific mandate. Any responsibility which is not delegated to NOVA's senior management or a committee of the Board remains with the full Board. NOVA believes this is an appropriate arrangement, given the respective responsibilities of the Board committees and senior management.

In all other respects, NOVA's governance practices are in material alignment with the TSE guidelines and those of the Montreal Exchange which substantially parallel those of the TSE. For a complete review of NOVA's alignment with the guidelines, see Schedule A of NOVA's March 1997 Management Information Circular.

Technical Advisory Committee

In December 1996, a Technical Advisory Committee was created to advise NOVA Chemicals on its research strategy. The Technical Advisory Committee consists of two directors of NOVA, Dr. Nicholas Pappas (chair) and Dr. Peter Boer; Mr. Dan W. Boivin, a Senior Vice President of NOVA and President and Chief Operating Officer of NOVA Chemicals and Mr. Paul D. Clark, Vice President, Technology of NOVA Chemicals; and four world-class polymer research scientists: Dr. Michel Boudart, Professor, Stanford University; Mr. Gerry Dyer, retired research and development director, DuPont Canada Inc.; Dr. Musa Kamal, Professor, McGill University; and Dr. Kurt Zilm, Professor, Yale University.

Corporate Strategy and Policy Committee (CS&PC)

The CS&PC advises the CEO on the short- and long-term direction of NOVA. The CS&PC's mandate includes developing corporate strategy, reviewing and approving business plans and monitoring NOVA's business environment.

Members of the CS&PC

J.E. (Ted) Newall, O.C., 61
Vice Chairman and
Chief Executive Officer,
NOVA Corporation

Jeffrey M. Lipton, 54
President, NOVA Corporation

Dan W. Boivin, 53
Senior Vice President, NOVA Corporation and President and Chief Operating Officer, NOVA Chemicals Ltd.

C. Kent Jespersen, 51
Senior Vice President, NOVA Corporation and President, NOVA Gas International Ltd.

Jack S. Mustoe, 49
Senior Vice President, General Counsel and Corporate Environmental Officer, NOVA Corporation

Sheila H. O'Brien, 49
Senior Vice President, Human Resources, NOVA Corporation

A. Terence Poole, 54
Senior Vice President and Chief Financial Officer, NOVA Corporation

Bruce W. Simpson, 52
Senior Vice President, NOVA Corporation and President and Chief Operating Officer, NOVA Gas Transmission Ltd.

Committees of the Board

The committees of NOVA's Board of Directors, their mandates and membership are outlined below.

Audit & Finance

This committee monitors all aspects of NOVA's financial activities including review of NOVA's finance-related public documents. Composed of Mrs. Rennie and Messrs. Coleman, Healy, Hotchkiss (chair), MacLeod and Milavsky.

Corporate Governance

This committee recommends nominees for election and appointment to the Board. It is also responsible for ensuring the effectiveness of the Board and its relations with NOVA's management. Composed of Ms. Wexler, Sir Graham Day and Messrs. Haskayne (chair), Pierce and Ritchie.

Public Policy, Risk & Environment

This committee is responsible for overseeing NOVA's safety, health, environment and risk management, corporate contributions, public policy matters and the development of NOVA's corporate image. Composed of Mrs. Rennie, Ms. Wexler and Messrs. Coleman, Healy, MacLeod, Milavsky (chair), Pierce and Drs. Pappas and Boer.

Human Resources Committee

This committee reviews recommendations for senior executive appointments and the terms and conditions of their employment. It is also responsible for the administration of NOVA's compensation, savings, profit-sharing and pension plans. Composed of Messrs. Haskayne (chair), Hotchkiss, Ritchie, Drs. Boer and Pappas and Sir Graham Day.

Board of Directors — 1996

Dr. F. Peter Boer
56, a director since 1991, has held several senior positions in chemical research and business management. He is president and chief executive officer of Tiger Scientific Inc., a firm specializing in science and technology consulting and investments. Dr. Boer serves on several governmental and university advisory bodies, and resides in Village of Golf, Florida.

Ronald B. Coleman
64, a director since 1987, is president of R.B. Coleman Consulting Co. Ltd., and president and a director of Dominion Equity Resource Fund Inc. Mr. Coleman serves on the boards of several Canadian companies, including The Maritime Life Assurance Company. He resides in Calgary.

Sir J. Graham Day
63, a director since 1990, resides in Hantsport, Nova Scotia. Sir Graham is chancellor of Dalhousie University, chairman of the board of Crombie Insurance Company (UK) Limited and serves on the boards of several companies including The Bank of Nova Scotia and Extendicare Inc.

Richard F. Haskayne, F.C.A.
62, has been a director since 1991 and was appointed chairman of NOVA's Board in 1992. He is chairman of the boards of TransAlta Corporation and MacMillan Bloedel and also serves on the boards of several Canadian companies. Mr. Haskayne resides in Calgary.

J. Joseph Healy
67, a director since 1977, is president and chief executive officer of HEMCO Corp. which has real estate and development properties. He was president of Healy Motors Ltd. until 1996. Mr. Healy resides in Edmonton.

Harley N. Hotchkiss
69, a director since 1979, resides in Calgary and is an investor in oil and gas, real estate, agriculture and professional sports. He serves on the boards of several Canadian organizations and is chairman of the National Hockey League Board of Governors.

Jeffrey M. Lipton
54, joined NOVA in 1994 and was appointed a director in April 1996. He is president of NOVA Corporation and resides in Calgary. Mr. Lipton serves on the boards of Methanex Corporation and NGC Corporation.

J.M. (Jack) Macleod
65, a director since 1993, retired as president and chief executive officer of Shell Canada Limited in 1993. He resides in Calgary and is a director of several Canadian companies and organizations including Trimac Ltd., The Van Horne Institute, and the Calgary Health Trust.

Harold P. Milavsky, F.C.A.
65, a director since 1988, resides in Calgary and is chairman of Quantico Capital Corp. Mr. Milavsky serves on the boards of several Canadian companies, including Amoco Canada Petroleum Company and Telus Corporation.

J.E. (Ted) Newall, O.C.
61, joined NOVA in 1991 and is its vice chairman and chief executive officer. Mr. Newall is chairman of the board of Methanex and serves on the boards of Alcan, BCE and the Royal Bank. He is honorary chairman of the Business Council on National Issues. In 1996, he was appointed chair of the Board of Governors, University of Calgary. He resides in Calgary.

Dr. Nicholas Pappas
66, has been a director since 1992 and resides in Centerville, Delaware. He is vice chairman of Rollins Environmental Services Inc., a company involved in hazardous waste treatment and management. He also serves on the boards of Chemfab Corporation, Yenkin-Majestic Corporation and BioTraces Inc.

Robert L. Pierce, Q.C.
67, has been a director since 1977. He is chairman and chief executive officer of Foothills Pipe Lines companies, the vice chairman of NOVA Gas International and chairman of the GasAndes companies. Mr. Pierce also serves on the boards of several Canadian companies including the Bank of Nova Scotia and certain NOVA subsidiaries and affiliates. He resides in Calgary.

Janice G. Rennie, C.A.
39, has been a director since 1991 and resides in Edmonton where she is a business consultant and adviser. She is chairman of the Audit Committee of the Province of Alberta, a governor of the Alberta Stock Exchange and serves on the boards of EPCOR (formerly Edmonton Power), and Weldwood of Canada Limited.

Cedric E. Ritchie, O.C.
69, a director since 1992, resides in Don Mills, Ontario. He is corporate director and former chairman and chief executive officer of the Bank of Nova Scotia. Mr. Ritchie also serves on the boards of several Canadian and international organizations.

Anne Wexler
66, a director since 1994, is chairman and chief executive officer of The Wexler Group, Washington, D.C., consultants specializing in government relations and public affairs. She also serves on several boards. Ms. Wexler, who resides in Washington, D.C., served as senior adviser on the Clinton-Gore Transition Team and was assistant to President Carter for public liaison.

In Memoriam
W. Norman Kissick served on the Board from 1992 to 1995. He died in September 1996. We would like to recognize Mr. Kissick for his valuable contributions during his years on the Board.

Shareholder Information

Shareholder Information

We're Here to Help You Monday through Friday from 8:00 a.m. to 5:00 p.m. Mountain Time. Call toll-free 1-800-661-8686 for inquiries on stock-related matters, including dividend payments, stock transfers, dividend reinvestments and address changes.

Dividend Reinvestment and Share Purchase Plan

NOVA offers a dividend reinvestment and share purchase plan to shareholders in Canada and the United States. This plan provides a convenient means to reinvest dividends in additional NOVA shares. For further information on the plan, contact NOVA's transfer agent:

The R-M Trust Company
600 The Dome Tower, 333 Seventh Avenue S.W.
Calgary, Alberta T2P 2Z1 (403) 232-2400

Non-resident Investors

Dividends paid to non-resident shareholders are subject to Canadian withholding tax, generally at the rate of 15% for the United States and other countries where Canadian tax treaties apply, and 25% for non-treaty countries. Certain exemptions or refunds may be available to residents of the United States. Consult your tax adviser.

Share Registration

NOVA's shares are listed on the Toronto, Montreal, Alberta and New York stock exchanges under the trading symbol 'NVA'. On December 31, 1996, approximately 465.3 million shares were outstanding and there were some 31,600 registered shareholders.

NOVA shares are transferable at the Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal and Halifax offices of The R-M Trust Company, and at the office of ChaseMellon Shareholder Services, New York, N.Y.

1996 Trading Volumes:

TSE, MSE and ASE combined: 333,230,606
NYSE: 13,807,500

Key Dates

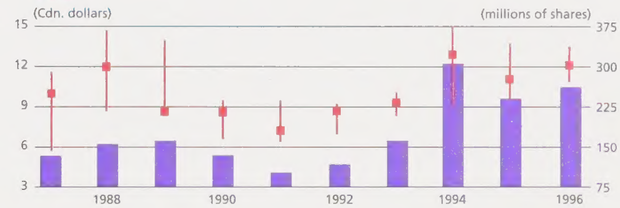
	Financial Reporting Dates	Common Share Dividend Record Dates	Common Share Dividend Payment Dates
1st Quarter	April 15, 1997	April 25, 1997	May 15, 1997
2nd Quarter	July 29,1997	July 25,1997	Aug. 15, 1997
3rd Quarter	Oct. 28, 1997	Oct. 31,1997	Nov. 15, 1997
4th Quarter	Jan. 27, 1998	Jan. 30, 1998	Feb. 15, 1998

Requests for Additional Information

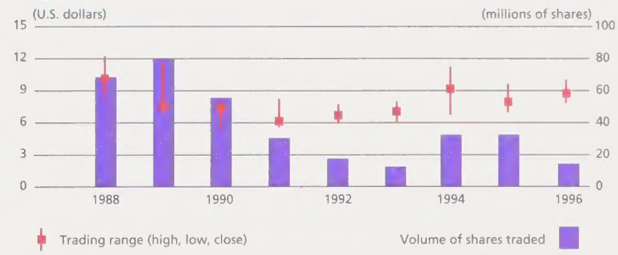
For a copy of NOVA's quarterly reports, or additional copies of this annual report, contact NOVA's distribution centre at (403) 290-6367.

Trading History

TSE



NYSE



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SCLAIRTECH™ is a trademark of NOVA Chemicals.

Responsible Care® is a certification mark of the Canadian Chemical Producers' Association (CCPA) in Canada and the Chemical Manufacturers' Association (CMA) in the United States.

THE ENERGY STORE℠ is a registered servicemark of NGC Corporation.

UNIPOL® is a registered trademark of Union Carbide Corporation.

DYLARK® and DYLITE® are registered trademarks of NOVA Chemicals Inc.

NOVA's Balanced Scorecard

NOVA Corporation is committed to outstanding corporate citizenship. To achieve this we must balance the interests of our four key constituents: NOVA customers; employees; communities and society; and shareholders.

Customers

- By striving to see their businesses through the eyes of customers, each of NOVA's operations is delivering the services and products customers need and the quality they expect at competitive prices. In 1996, NOVA showed continuous improvement in the businesses' customer satisfaction ratings with performances in the top quartiles of all its industries. The ratings came as a result of information garnered through regular customer satisfaction surveys. The feedback acts as a catalyst for change and improvement and goes directly to process areas where performance improvements can be made. By knowing what is crucial to customers, NOVA' s businesses are better equipped to anticipate and deal with concerns and focus planning efforts on customers' future needs. Customer surveys for both NGT and NOVA Chemicals are continuously refined and both businesses have set objectives for further gains in customer satisfaction in 1997 and 1998.
- During 1996, NOVA Chemicals established the Global Centre of Excellence to enhance customer service. The philosophy behind the centre acknowledges that everyone at NOVA Chemicals has an impact on the customer. The objective of the centre is to show employees – from accountants, to computer specialists, to operating technicians – the role they play in the value process chain that supplies products to customers.
- Through a collaborative process with customers and industry, NGT has successfully negotiated a five-year Cost-Efficiency Incentive Settlement. The settlement, effective January 1, 1996, provides incentives for NGT to reduce operating and capital costs and to maximize system utilization, while providing a share of these savings to both customers and NOVA shareholders.
- The 1996 Mastio & Company customer satisfaction survey involving 1,060 customers rated NGT number three out of 73 North American pipelines.

Employees

- We recognize that our employees are at the centre of our aspiration to be a world-class company, renowned for the quality of our people leadership practices. During 1996, we gauged our progress in leadership by undertaking two significant measurement activities:

The company uses several different tools to "take the temperature" of NOVA's employee population. During 1996, the organization issued its third Employee Climate Survey and augmented the results with data from internal demographic studies and other human resource research. Survey results showed that our greatest strengths are in the areas of employee involvement, career development and employee satisfaction with compensation. We are targeting performance management and leadership effectiveness as our areas for significant improvement.

Our results are benchmarked against leading high-performance companies in North America, and our goal is to exceed the scores of the best companies in the factors that we measure. In seven out of 12 factors, NOVA performed above the norm of North American companies. These factors included career development, compensation, training and development, leadership, vision and mission/goals and plans, employee involvement and company commitment. NOVA will continue to work to progress in the areas where we are doing well, and to make step-changes in the areas where we have not reached our goals for high performance.

We also measured the effectiveness of NOVA's Employment Transition and Continuity (ET&C) program, introduced two years ago as a means to help employees affected by business re-engineering. The company conducted an audit involving interviews with NOVA leaders, ET&C program counsellors and over 250 employees who have left the company in the last two years. Responses to the program were exceptionally strong. Eighty-four per cent indicated they felt they had been treated fairly and with respect while making a career transition out of NOVA, and 90% agreed they had been provided with the

necessary resources to go on to other careers beyond NOVA. The favorable responses to the study show that although there is room for minor adjustment, NOVA's program is a valuable transition tool to support our people. ET&C is an ongoing program.

Communities and Society

• NOVA views its host communities and society at large as business partners in the ongoing management of day-to-day operations. Through our community relations efforts we have built and sustained good rapport with members of the communities in which we operate. In 1996, the company demonstrated its commitment to strengthen these relationships by organizing a customized community relations course through the Boston City College's Centre for Corporate Community Relations. The program was targeted solely at NOVA's community relations initiatives, emphasizing the importance of balancing NOVA's business plans with community needs. The course is a prerequisite for other courses leading to a Certificate in Corporate Community Relations.

• In an era when nonprofit organizations increasingly look to the corporate sector to support the survival of vital public programs and services, NOVA is taking a leadership role. "Lending a Hand" is the guiding principle behind NOVA's corporate contributions program. The program's mission is to "invest in the growth, diversity and well-being of the communities we share in by lending a hand to organizations dedicated to improving the overall quality of life in our communities." During 1996, we reinforced our social commitment by establishing the NOVA Corporation Charitable Foundation. The foundation allows us to more effectively fulfil our responsibilities by stabilizing the amount we give, rather than having contributions fluctuate with earnings. Using the Canadian Centre for Philanthropy's "Imagine 1% Commitment" formula, NOVA established its $4-million annual corporate contributions budget which is targeted to education, Aboriginals, women and people at risk. In addition, NOVA encourages employees in their dedication towards community volunteer efforts by actively supporting them through public recognition and support.

• NOVA pays substantial taxes to all levels of government. In 1996, total cash taxes paid exceeded $360 million.

• Our performance in the areas of safety, health and the environment is a foremost priority in NOVA's efforts towards operational excellence. During 1996, we reorganized our SHER management structure to provide company-wide leadership, improve efficiency and capture the benefits of shared initiatives across all NOVA businesses. This fall, the company was recognized for its excellent submission to the federal government's Voluntary Climate Change Challenge Program registry for reducing greenhouse gas emissions. In the report, NOVA pledges to maintain an inventory of all greenhouse gas emissions, devise action plans to limit emissions and set annual emissions targets.

Shareholders

• In March 1996, NOVA announced plans to purchase up to 25 million of its common shares. The share repurchase program increases per-share earnings by reducing the number of shares outstanding and underlines management's confidence in NOVA's financial strength and cash flow expectations. The repurchase program will expire in March 1997. As of December 31, 1996, NOVA had bought back 18.2 million common shares at a cost of $225 million.

• During 1996, NOVA announced two common share dividend increases to 10¢ per quarter or 40¢ per year. When added to the increases in 1995, the dividend has increased by 67% in two years.

• NOVA's total return to shareholders in 1996 was 14% and has averaged 14% per year for the last five years.

• To ensure alignment with shareholder interests and following the practice of NOVA's chief executive officer, NOVA's directors agreed to take their retainer fees in common shares and to hold these shares for a minimum period of two years. The decision was effective at the 1996 annual meeting. This will lead to a steady increase in share ownership by directors. In addition, each of NOVA's senior officers are required to hold a meaningful investment in NOVA's common equity, and more than 70% of NOVA's employees own shares in the company.

Imagine A New Spirit of Community

Annual Meeting
Shareholders are invited to attend NOVA's annual meeting on April 16, 1997 at 10:30 a.m. at The Edmonton Convention Centre in Edmonton, Alberta.

How to contact NOVA

Telephone (403) 290-6000
Internet www.nova.ca.
E-mail investor.relations@pipe.nova.ca.

Director, Public Affairs
Paul Clark (403) 290-7603

Director, Investor Relations
Bill Rowe (403) 290-7807

Write to us at NOVA's head office:
NOVA Corporation
801 Seventh Avenue S.W.
Post Office Box 2535
Postal Station M
Calgary, Alberta
Canada T2P 2N6

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